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15 March 1984

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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15 March 1984

## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

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## BULGARIA

### INTERNATIONAL MOTOR TRANSPORT FERRY SERVICE DESCRIBED

Sofia POGLED in Bulgarian 30 Jan 84 pp 6, 7

Article by Georgi Grozdev: "The Dogs Keep on Barking, but the Trucks Keep on Sailing: The Fables of Imperialist Propaganda and the Commercial Strategy of Bulgarian International Motor Transport"

Text As Nathan Adams boasted in READER'S DIGEST, it was not necessary to investigate "thoroughly the activity of the secret services in eight countries, from North America, Europe, and the Near East." One could hardly agree with the point of view of the above-mentioned "investigator," or his follower, Jean-Marie Ponteau, who writes for the well-known magazine LE POINT in Paris. The latter, in his turn, extends the "investigations" of his colleague a little: the Bulgarian trucks carried not only lobsters, but also...spy information. In addition to N. Adams' "discoveries" about transporting drugs and weapons, there was a top secret apparatus for eavesdropping in the TIR trailers, and even a satellite had been used, Ponteau added. There is certainly nothing more unbelievable for these discoverers than the true facts.

#### On the Pilot Cutter

About 10 days ago, the ferry "Tsarevets" landed at the port of Burgas. It is a "ro-ro" type, and it had come to a Bulgarian port for the first time. The English abbreviation "ro-ro" means "roll in, roll out." This is the main purpose of the ship--to transport loads that are on wheels. It can accommodate up to 145 automobiles, each 15 meters long, in its hold. It has three cargo decks and a 65-ton capacity elevator. If the cars were arranged end to end, they would form a line over 2 kilometers long, and the ferry's length is only 165 meters, its width--23 meters. It was manufactured in Sweden and became the property of the International Motor Transport Economic Trust in June 1981.

Until recently, the boat conducted regular trips from Koper (Yugoslavia) to Tartus (Syria), then again from Koper to 'Aqaba (Jordan). The present international situation raises problems for the managers of our motor transport abroad. Within the context of the unfavorable commercial state of affairs, itineraries that are the most profitable from an economic point of view, but also timely, have to be sought.

We approached the ferry while still in the vicinity of Bolshevik Island. With the permission of the port authorities, we boarded the Triton pilot cutter. The drivers waved from the deck of the "Tsarevets"; their automobiles had set out to sea only 4 days ago from Marseille to Barcelona. How many more things had the ferry saved on, in addition to tires, fuel, and depreciation--travel time, risks on overcrowded highways. A rare and unique combination of low prime cost because of marine transport and fast motor transport in the Mediterranean area. A similar line is being maintained by another ferry owned by the International Motor Transport Economic Trust, the ferry "Trapezitsa" which has the following itinerary--Volos (Greece) - Limassol (Cyprus) - Tartus (Syria). Evidently, we can speak of a new moment in the commercial and economic strategy of Bulgarian International Motor Transport. Its effectiveness is part of the achievement of the Bulgarian National Transport Complex. Drivers and sailors get acquainted. This is necessary for the sake of the country's present interests. It becomes possible, however, because we have a strong competitive maritime fleet. The difficulties everyone encounters in the waters and in the complex picture of world trade are much larger than sea storms. That is why the facts which we are sharing with respect to the arrival of the "Tsarevets" at Burgas have a significant economic, international and patriotic value.

A small ladder for the pilots goes down; together with the captain, they take over steering the ship until it is in its berth at the port. Goran Kavakov and Todor Todorov will steer such a ferry for the first time "by the nose." They will have to conduct a complex maneuver--a 90° turn. The tugboats "Palada" and "Umbriel" are helping for hospitality's sake only--the ferry can make the turn without them.

#### At the Quay

Then we reach the shore with the pilot cutter and mix with those who are there to greet people. Captain Stoyan Marinov's two boys are among them.

Other ships disappear in the distance all around, as if they sink into the sea. And the sea is still fashionably curly, still hiding beneath its light surface an abyss of cold, dark water. It stretches up to the horizon and defies the motionless shore, where the port, spouses and children remain; where there are crab legs, half oyster shells, pieces of algae, medusae thrown out onto dry land, decorated with some fresh oil spots. Let us not forget that, as always, all these shore bagatelles have a salty taste. The captain's sons do not know it yet.

#### At the Helm

We are puzzled that the captain is still "surprised" by his ship. "Such an enormous mass, and yet it's as agile as a ballerina," he says. Stoyan Marivo is about 35-36 years old, but he has already piloted a whole ship, named for his native city, Burgas, which was later turned into scrap. He was the veteran's last captain and that is why he enjoys remembering how surprised the port authorities at Marseille were. The French greeted such a sailing vessel for the first time, and what is more--it is Bulgarian property.

Precisely now, when it is difficult to find work for ships as well as for automobiles. When several large Western shipping companies have swallowed the bitter pill of unfavorable economic conditions. When the competition is so fierce that even one truckload from a newly discovered market has its significance.

There is great interest in the ferry on the part of the French and Spanish firms. It made the Spanish market accessible for the first time. And this is so because the International Motor Transport Economic Trust can offer convenient, cheap and fast service to the West's leading companies.

"Door-to-door" transport without multiple loadings and unloadings, without complex procedures and guaranteed quality of transportation by the main carrier.

On the "Tsarevets," deck, in addition to the 82 Bulgarian TIR trucks, we count as well 52 trailers with Spanish exports for the Middle East.

The ship permits the driver to stay with his automobile. Of course, drivers remain drivers; they cannot look at the sea with sailors' eyes. What else makes the ship attractive, however?

#### Reliability and Convenience

The ferry has greater seaworthiness, with guaranteed certainty, even in bad climatic conditions. Its high speed, approximately 23 miles per hour, makes it one of the fastest Bulgarian sailing vessels. Its sailing reliability also includes a perfected radio-navigational apparatus. Its telex and telephone connections allow the possibility of conversing with every geographical point on the terrestrial globe. In this sense, LE POINT is correct--Bulgarian International Motor Transport indeed has satellite-linked apparatuses available. This became possible, however, through the "Tsarevets" and "Trapezitsa" which contain the best qualities of world shipbuilding. And Bulgaria has them, thanks to its socialist development. Maybe this is what the employers of the above-mentioned journalistic "discoveries" do not like in the least.

And what is more--comfortable rest cabins, cozy lounges for conversation and amusement. Which driver could refuse such comfort on the open sea? Many itineraries of thousands of kilometers have been "erased" from the map by the "Tsarevets'" powerful screws. According to the market studies, the amount of transportation will increase in the future.

#### Automobiles Are a Fact

Yes, the first automobiles on the Burgas shore are a fact. They were unloaded in several hours. The facilitation of this unloading derives from the ship being in shallow water and the bridge, which resembles "paws," being lowered toward the quay, which guarantee automated, fast unloading at every port. They were unloading lobster, meat, and cheese at the port of Burgas...and we hurried to record this information in our reporter's notebook.

These are the facts. Down to earth and real--in comparison with the banal spy visions of READER'S DIGEST (which has won sad fame with the Antonov case) and LE POINT. It is not accidental that these fabricated stories were brought out in broad daylight.

Bulgaria makes concrete and honest efforts toward collaboration and development in international trade, as an inseparable part of the socialist community, and it has become a strong, authoritative partner which is capable of taking into consideration the conditions of the world market in order to find ways to achieve effectiveness. And let us not forget that a significant part of our national income is derived from foreign trade. Why not try to hold us back with lies? As the popular saying goes--the dogs keep on barking, but the caravan keeps on moving. In this case--the trucks keep on sailing...

#### POGLED's Documentation

The International Motor Transport Economic Trust has also undertaken river "re-ro" technology for international transportation. At the present time, there are two lines functioning, which combine, for the first time in the world, load transportation on dry land and the "ro-ro" river type of transport. Two ships made in West Germany and two made in Yugoslavia make trips from Vidin to Passau (West Germany) and from Vidin to Linz (Austria). Each sailing vessel can be loaded with 49 TIR trailers. The maximum amount of water it draws is only 1 meter and 65 centimeters, and that is why its speed is high--16 kilometers per hour. But this will be the topic of further reportage.

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## BULGARIA

### REPORT ON FOREIGN TRADE ACTIVITIES IN 1983

Sofia STATISTICHESKI BYULETIN in Bulgarian No 4, 1983 pp 2-4

[Report by the Committee for Unified Systems for Social Information of the Council of Ministers: "Exports and Imports"]

[Text]

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#### Development of Foreign Trade of the Bulgarian People's Republic in 1983

The active participation of Bulgaria in the international division of labor continued in 1983 as well. During that period the country's foreign trade totaled 23,667,000,000 f.e. [foreign exchange] leva. Compared to 1982, it increased by 1,811,000,000 f.e. leva. Exports increased by 938 million f.e. leva and imports by 872 million f.e. leva.

During the period under consideration our foreign economic relations with the socialist countries, the USSR above all, continued to develop with particular dynamism. Trade with these countries totaled 18,582,000,000 f.e. leva or 78.3 percent of the overall value of trade; trade with the USSR totaled 13,547,000,000 f.e. leva (57.2 percent). The absolute increase in trade with the Soviet Union, totaling 1,797,000,000 f.e. leva, accounted for 99.2 percent of the total annual growth of trade.

Compared with 1982 our foreign trade relations with the other CEMA-member countries--the GDR, Poland, Romania, Hungary, Czechoslovakia and Cuba--increased substantially.

Our foreign trade relations with the developed capitalist countries continued successfully to develop in 1983: the volume of reciprocal procurements totaled 2,862,000,000 f.e. leva. Our trade was particularly lively with the FRG, totaling 657,000,000 f.e. leva; Switzerland, 423 million; France, 238 million; Greece, 256 million; Italy, 206 million; Austria, 234 million; the Netherlands, 112 million; and others.

Our most important partner among the developing countries remains Libya, with 720 million f.e. leva. It is followed by Iran with 355 million, Iraq with 296 million, Turkey with 152 million, Algeria with 79 million, Brazil with 76 million, and others.

Positive changes in the structure of our trade continued to be made in 1983. The volume of highly processed goods continues to increase steadily. Compared with 1982 the most significant increase was achieved in the export of machines and equipment totaling 620.6 million f.e. leva; construction materials and parts, 35.2 million; industrial consumer goods, 144.2 million; food, 96.9 million; and others.

The share of fuels, mineral raw materials and metals remains the largest in our imports, accounting for 46.4 percent of the overall value of goods purchased during the period. It is followed by machines and equipment for industrial purposes, 34.2 percent; chemicals, fertilizers and rubber, 5.2 percent; raw materials and products of their processing (excluding food), 4.9 percent; industrial consumer goods (noncomestible) 4.2 percent; and others.

Exports of a number of goods increased considerably. Compared to 1982 additionally exported goods included 338,600 electric motors, 458,200 telephone relays, 25,900 telephone sets, 22,300 radio telephones, 98,200 automobile batteries, 3,100 electric cars, 6,300 motor cars, 5,100 ELKA electronic calculators, 38,900 portable typewriters, 121,200 pressure gauges, 5,000 silage combines, 1,571 transplanting machines, 56,400,000 kilowatt hours of electric power, 23,500 tons of pig iron, 5,900 tons of rolled wire, 41,100 tons of steel sheets, 28,200 tons of zinc-plated steel sheets, 10,200 tons of sodium silicate, 188,300 tons of carbamide, 619 tons of polystyrene, 43,100 tons of ammonium sulfate, 21,000 tons of cement, 12,900 pieces of earthenware tiles, 52,800 square meters of marble slabs, 31,000 square meters of parquet flooring, 101 kilograms of rose oil, 2,000 tons of Oriental tobacco, 3,400 calves, 77,300 lambs, 675 tons of canned meat, 17,500 tons of apples, 9,600 tons of fruit, 16,400,000 liters of grape liqueur wines, 5,300 tons of cigarettes, and others.

During the same period additional amounts of metal-cutting machines, power and electrical engineering machines and equipment, ships and ship equipment, coke--metallurgical and casting--ferrous metals and rolled ferrous metals, chemical fertilizers, coniferous lumber and cellulose, various types of paper, raw cattle hides, cotton, wool, coffee beans, and others were imported.

AGROINDUSTRIAL UNION CHIEF DWELLS ON UNSOLVED PROBLEMS

Sofia KOOPERATIVNO SELO in Bulgarian 6 Feb 84 pp 1-2

[Speech by Aleksandur Petkov, chairman of the Central Council of the National Agroindustrial Union, delivered at the meeting of the occasion of the Land and Fertility Celebration: "Successes Worthy of the Anniversary Year"]

[Text] This year will mark the third celebration of the Land and Fertility Holiday. This is an old holiday which was restored on the initiative of the BCP Central Committee.

The right of hosting this year's celebration was earned by Sliven Okrug, which is increasingly asserting itself as one of the leading okrugs in the development of our agriculture in our country. That is why, on behalf of the Central Council of the NAPS [National Agroindustrial Union], and the Central Committee of the Trade Union of Agricultural and Food Industry Workers and of all participants in the ceremony I express our warmest thanks to our hosts for their hospitality and wish them new and even greater successes in agriculture and in all fields of life.

This is an anniversary year of the socialist revolution in Bulgaria. It is the year of the National Party Conference on Quality. It is also the penultimate year of the 8th Five-Year Plan. All of this makes today's celebration particularly important, facing agriculture with new and even greater tasks and responsibilities.

Our socialist agriculture covered a glorious road in its development. It gained great successes which make our agriculture and entire people justifiably proud. These successes represent the efforts and dedicated labor of two or three generations of agricultural workers, specialists, managers and scientists. That is why we pay our respects to the work and talent of the pioneers of the socialist reorganization of agriculture and those who took over from them and raised Bulgarian farming to the level of the best global accomplishments. We owe all of this to the accurate and life-tried April party agrarian policy, the efforts of our people and their resolve to implement the party's plans.

Allow me, therefore, to express from this rostrum on behalf of all agricultural working people our greatest gratitude and thanks to our party-leader and, personally, to Comrade Todor Zhivkov, BCP Central Committee general secretary and State Council chairman, for the attention and great concern

they apply to the development of agriculture. Let me express our warm gratitude also to all generations of agricultural workers, specialists and managers for their dedicated efforts for the implementation of the Leninist April agrarian policy of the BCP.

The results of the implementation of the United Plan for the Socioeconomic Development of the Country in 1983 were published recently. They unequivocally prove that despite the difficult and stressed international situation and the adverse weather conditions, we entered the new year 1984 with high accomplishments in all national economic sectors.

Our agriculture made its contribution to these results. Despite the whims of nature, agriculture and the food industry continued to develop at a good and stable pace.

The overall balance for the past 3 years of the 8th Five-Year Plan is positive. The greatest advance was achieved along the main strategic directions of agriculture--grain production and animal husbandry. Compared to the average annual level during the 7th Five-Year Plan grain production increased by 16.3 percent; meat production increased by 9.2 percent and milk production by more than 16 percent. The average annual volume of agricultural output increased over the past 3 years by 10 percent; net output increased by 14 percent and profits by more than 60 percent.

The positive results of 1981-1982 were consolidated in many subsectors and developed further in others in 1983. Compared to 1982, last year additional output included more than 100,000 tons of fruits, including 30,000 tons of apples, 31,000 tons of plums, 13,000 tons of peaches, 13,000 tons of cherries and 9,000 tons of pears. Once again Burgas, Sliven and Vidin okrugs achieved high results in grape growing and considerably overfulfilled their planned assignments. Increased amounts of rice, corn for silage and other crops were produced as well.

The positive trends in animal husbandry were consolidated and continued to develop.

The plan for the production and purchasing of animal husbandry goods was fulfilled and a considerable increase was achieved compared to 1982. Average milk production per cow reached 3,346 liters; Razgrad, Ruse and Burgas okrugs exceeded 4,000 liters. Egg production averaged 209 eggs per hen.

Compared to 1982 an additional 17,500 tons of meat, 114 million liters of milk and 122 million eggs were produced and sold to the state.

Higher meat, milk and some fruit and vegetable production created conditions for the further development of the food industry, which fulfilled its 1983 plan for basic quality indicators.

The overall balance indicates that as a result above all of the prompt steps taken by the BCP Central Committee and the government to reduce the harmful consequences of natural disasters and the dedicated work of the agricultural workers, in 1983 as well the population was supplied with the necessary food products and the country's obligations regarding agricultural exports to the

socialist countries were met. Regardless of the severe losses in the struggle against the elements, in the final account the people prevailed. In 1983 as well there is a long list of champions, of people who met the high criteria set by the 12th BCP Congress and the October 1982 conference in the hard struggle against difficulties. That is why on today's holiday high state distinctions will be pinned on the chests of many among them.

On behalf of the executive committee of the Central Council of the National Agroindustrial Union and the Central Committee of the Trade Union of Agricultural and Food Industry Workers, I express our warmest gratitude to the champions and frontrankers and, through them, to all agricultural workers, specialists and managers for their dedicated work in 1983, wishing them even more successful work and better results during the 1984 anniversary year.

Without minimizing in the least the efforts and labor of workers and specialists, we cannot be satisfied with the agricultural results of 1983 or of the last 3 years of the five-year plan, for these results are far below the real possibilities and reserves existing in agriculture. As was said at the national conference and as we would like to reemphasize here, we were unable to reorganize fully in accordance with the high criteria set by the 12th Party Congress. This applies to all aspects of our activities: organizational, economic, scientific and technical and control. It also applies to all levels of management, ranging from the executive committee of the Central Council of the NAPS to the production brigades.

These are the main reasons, rather than the adverse weather conditions, for the unsatisfactory results achieved by many okrugs and agroindustrial complexes in 1983, particularly in crop growing.

This is supported by a number of facts.

First. During last droughty year we were unable to make full use of the possibilities of irrigated agriculture. This is a tremendous reserve which should account for more than 50 percent of our crop output. In practice, however, it accounts for no more than 30-35 percent.

Second. No positive changes were made in the efficient utilization of machines both in terms of coefficient and average annual load.

Third. We took the first steps but failed fully to resolve the problem of applying a scientific approach to fertilizing and plant protection.

Fourth. Many okrugs continue to apply inefficient animal nutrition technologies, as a result of which there are considerable fodder overexpenditures and optimal daily growth is half what it should be.

Fifth. Considerable overexpenditures of raw and other materials remain the weak spot in our work.

All of this indicates that so far we have been unable to resolve comprehensively problems related to the acceleration of intensification and the application of the economic approach in agriculture.

As we know, during the first 3 years of the five-year plan we failed to fulfill the plan for a number of physical and quality indicators in agriculture. This faces us with far greater tasks and requirements. In the remaining 2 years we must ensure the implementation of the regular plan and catch up with the lagging of the past 3 years. This applies to agriculture as a whole and to the individual okrugs, agroindustrial complexes and production brigades.

In this connection, 1984 will be a decisive year in agriculture. This year we must completely catch up with our lagging in grain production and tobacco and next year in the other crops, including the changes made in accordance with the coefficients approved by the NAPS.

The ways and means leading to the successful implementation of the new major tasks facing agriculture were indicated with extreme clarity by Comrade Todor Zhivkov at the 29 November 1983 National Conference. We express our profound gratitude to our first party and state leader who, with his typical innovative approach and profound knowledge of the processes and problems facing our agriculture at the present stage, gave us the main directions on which to concentrate our main forces and means in order to achieve a change in agriculture intensification and efficiency. Therefore, our agricultural organizations and cadres are today equipped with new ideas, new stipulations and specific approaches for a broad and highly scientific resolution of the most important problems in agriculture. That is why success in this work is entirely in the hands of the cadres and the labor collectives within the NAPS system.

Allow me to deal briefly with only the most important problems which we must resolve this year.

The first problem is to achieve an upturn in production intensification in all agricultural subsectors.

This means the following:

First. Converting to the mass application of intensive technologies in raising grain crops, sunflower, sugar beets, soybeans and feed crops.

Second. Most intensive and superintensive technologies, with a higher level of material and technical support, must be applied in the cultivation of all irrigated areas, corn above all.

Third. We must create conditions for converting to the comprehensive application of the most progressive methods and technologies in livestock nutrition and raising.

Fourth. Improving the organizational methods in order to increase by no less than 10-15 percent the coefficient of utilization of agricultural productive capital--reclamation, equipment, fertilizers, chemicals and feeds.

Fifth. Ensuring high-level professionalism, discipline and responsibility in the work of all units from the NAPS to the production brigade.

We have developed plans in all of these areas and secured adequate material and technical facilities. Success rests now in the hands of the cadres.

The second problem is to complete the development of the new brigade organization.

In accordance with the tasks set by the national conference, extensive work was done in the okrugs and the agroindustrial complexes to improve the organizational-managerial structure of the APK [agroindustrial complexes]:

Branch farms and production sectors were eliminated and all APK have converted to a two-level management system;

The 8,850 brigades were reduced to 3,560 in 1983; this includes 3,138 new consolidated brigades in crop growing and animal husbandry alone;

Fifty-five percent of the brigades are specialized and so are 80 percent of the links;

As a result of the reorganization, the APK administrative-managerial apparatus was reduced by 22 percent and most of the specialists were transferred to work in the brigades.

These are profound qualitative changes in the organization and management of agriculture. Unquestionably, they will have a positive influence in its further development through intensification.

However, we must not forget that we are at the beginning of the development of a new brigade organization. The task now is to give the new brigades their proper meaning.

What do we have to accomplish to this effect?

First. We must rapidly apply the new structures in the APK so that the new brigades may begin to operate normally.

Second. We must issue the updated tasks, norms and ceilings of the new brigades and, on this basis, they must draft their counterplans.

Third. Work on the cadre-strengthening of the brigades must be continued and the necessary steps taken for the training and retraining of leading cadres and specialists.

Fourth. To create an organization to complete the formulation of the engineering plans of the brigade.

The managements of the agroindustrial complexes and the okrug agroindustrial unions now is to become steadily concerned with the creation of the new brigades with a view to providing the best possible conditions for their stabilization and normal production and economic activities. It is a question not of petty tutorship but the creation of the necessary atmosphere and prerequisites for the maximal development of the self-initiative and creative forces of the cadres and collectives of the new brigades.

The third important problem is to apply the new economic approach in all NAPS units and activities.

As we know, the Council of Ministers approved a number of new amendments and supplements to the economic mechanism of agricultural management. These amendments do not change the principles of the current mechanism but are aimed at creating even more favorable conditions for their full implementation.

Therefore, the two basic prerequisites for the systematic and overall application of the new economic approach in agriculture exists: the newly established brigades and an improved economic mechanism. This is one aspect of the problem. The other is how to organize the work in order to apply the principles of the new economic approach.

What is necessary and where should we begin?

First. Radical improvements must be made in the advancement of the norming base. Unless we resolve this problem suitably we shall continue to be speaking of the new economic approach without achieving our objectives. In this respect, the minimum problem which we must formulate and resolve as of now should be to reduce all outlay norms (material and labor) in the agroindustrial complexes and brigades in accordance with the approved norms, ceilings and indicators of the state plan.

At the same time, we must establish an organization based on the achievements of scientific and technical progress for the elaboration of new scientific norms to be applied in the future.

Second. In accordance with the new amendments and supplements of the economic mechanism and the new brigade organization of labor, we must supplement and update the eternal regulations and rules of agroindustrial complexes and brigades.

Third. All agroindustrial complex and brigade activities and their inter-relationship must be based on a contractual economic foundation. This means that each production brigade, link or combined group and individual worker should have a perfectly clear idea of what they must produce with specific material and labor outlays.

Fourth. In formulating the tasks of the new brigades and the comprehensive application of the piece-rate system in all agroindustrial complexes, the plan should call for sufficient reserves for the implementation of the contractual obligations of the brigades regardless of the implementation of the plan by other brigades and by the agroindustrial complex as a whole.

Fifth. We must establish a more advanced and efficient control system in establishing the outlays of labor and materials throughout the year. Each individual machine and workplace should have its own account. The ceiling-checking expenditure control system should be applied everywhere.

Sixth. The organization of the socialist competition and the system for the training and retraining of workers and specialists should be restructured on



the basis of the new brigade organization and the economic mechanism. End economic results, increased labor productivity and production efficiency must become the basic criteria in APK and brigade competition.

Agriculture is a difficult and complex sector. It has a number of different problems. We are profoundly convinced, however, that accelerated intensification based on the new brigade organization and the economic approach is of determining significance in the successful solution of all other problems and tasks facing agriculture. That is why on the day of the Earth and Fertility Holiday we call upon all agricultural workers, specialists and managers to engage in persistent and dedicated work so that the anniversary year 1984 becomes a turning point in accelerating intensification and applying the brigade organization and the principles of the economic approach along the entire chain of the reproduction process.

We live in glorious times. Under the party's guidance our people have covered 40 years of socialist construction and are now successfully building a developed socialist society.

However, these are times of concern as well. The international situation has become dangerously aggravated through the fault of imperialism, the American military above all.

The Reagan administration declared an antisocialist crusade. It is trying to achieve military superiority over the USSR and the socialist countries. It is egging on mankind in the arms race and thus increasing the threat of thermonuclear catastrophe.

We, the agricultural working people in socialist Bulgaria, firmly condemn the thoughtless actions of American imperialism and its helpers. We unreservedly support the peace policy of the socialist countries headed by the great Soviet Union.

Our working people in agriculture properly realize that today the implementation of the plans is not only the obligation of the farmers. It is our patriotic duty, for the more goods of better quality we produce with greater efficiency, the greater will our economic power become and the safer will peace on earth be.

Finally, on behalf of the organizers of this holiday--the Central Council of the National Agroindustrial Union, the Central Committee of the Trade Union of Agricultural and Food Industry Workers, the National Council of the Fatherland Front and the Central Committee of the Dimitrov Communist Youth Union, and on behalf of all agricultural working people, allow me to ensure the Central Committee that we shall dedicate all our efforts, skill and energy for the implementation of the resolutions of the 12th BCP Congress and the forthcoming National Party Conference in honor of properly celebrating the great 40th anniversary of the socialist revolution in Bulgaria.

Happy holiday, dear agricultural workers!

IVAN DIMITROV SHIPYARD ADVERTISES ITS PRODUCTS

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 1 Feb 84 p 15

Text The Ivan Dimitrov Shipbuilding and Repair Combine in Ruse, the recipient of Georgi Dimitrov and Red Banner of Labor orders, which is the second largest producer of ships in the country, specializes in the construction of:

dry cargo and oil transport ships, which travel under their own power on rivers and the open sea;

harbor port and assembly cranes--with a hoisting capacity of 5-20 tons;

tugboats;

repair and docking of vessels with a dead weight of up to 1200 tons.

Vessels produced by the Ivan Dimitrov Shipbuilding and Repair Combine in Ruse are distinguished by their high quality and reliability.

The combine produces:

\* A 5000-ton tanker--a single deck ship for transporting oil, with a special device for filling it with first, second, third, and fourth class liquid products, with a mass density of .74 tons to .92 tons per cubic meter, without any limitation on the temperature limit of flammability of vapors and petroleum products, which have to be warmed.

It is designed to comply with the rules outlined in the River Register of the USSR for the M-SP/Ice Class.

The tanker has two diesel engines (4-stroke) with 1000 horsepower, and a device for remote control from the running bridge. It is furnished with modern equipment, electronic navigation apparatuses, devices, and systems, which ensure its normal operation down to an air temperature of -23° Celsius. Unloading of the tanker is carried out with the help of two electric centrifugal pumps with a capacity of 450 cubic meters per hour.

Excellent living quarters have been created for the ship's crew.

\* The 2150-ton river/sea tanker is designed for transporting liquid cargoes--first, second, and third class petroleum products with a mass density from .71 to .84 tons per cubic meter, which do not require warming. The possibility of simultaneously transporting two types of products has been foreseen.

The ship is a single deck, double screw tanker with a raised forecastle, and in the stem are located the machine and pump sections, the superstructure for living and service quarters, and the wheel house. It is designed to comply with the rules outlined in the River Register of the USSR, M-SP/Ice Class.

\* A 3000-ton bunker ship, designed for the transport and delivery of fuel and oil to other ships at anchor at large seaports, with the possibility of separate, isolated cases of making inside passengers along the shore.

The bunker ship has a smooth deck and is a single screw ship with a helical rudder nozzle. It has a single engine with 1200 horsepower and is set up for remote control. It is designed according to the KML 2111, Soviet Registry.

The bunker ship has been given a K rating.

\* The port cranes produced by the Ivan Dimitrov Shipbuilding and Repair Combine in Ruse have good maneuverability and are easy to service. The electric port cranes have a loading capacity of 16 to 20 tons.

\* The modern drydock facility (covered berth) allows ships with a dead weight of up to 1200 tons to dock, even in the shallowest of rivers.

#### \* Mass Consumption Goods

With the aim of satisfying ever-increasing needs among the populace, the shop staff in charge of consumer goods is constantly enriching its supply of items. Some of the most sought-after items are:

1. parts for fences;
2. pigpens;
3. iron gates;
4. covers for refuse chutes;
5. iron structures for villas, bungalows, and garages.

Remember!

Orders for specified items can be made both by ordering through organizations and by individual citizens.

For additional information:

The Ivan Dimitrov Shipbuilding and Repair Combine in Ruse telephone numbers:

Director	2-82-26
Switchboard	2-79-40
Chief of the Sales Department	2-76-39
Telex	062515

DECEMBER 1983 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 27 Jan 84 p 2

[Commentary by Dr Engr Vaclav Cap, CSc, Federal Statistical Office: "December 1983"]

[Text] Fulfillment of the plan in December (even though it had two working days fewer than the same month last year) contributed toward the successful realization of the main objectives for all of 1983. Although the level of industrial production was 3.2 percent lower than in December of last year, average daily production was higher by roughly 2.1 percent, taking into consideration the transfer of working time from December to November in 1982. The volume of construction work dropped 4.9 percent in December. The economic production plans in industry and construction were exceeded in December, and thereby also the annual plans were fulfilled. The annual plan for the procurement of the principal livestock products was exceeded likewise.

The 2.7-percent growth of industrial production in 1983 over 1982, the 2.4-percent growth of construction work, and the 2.2-percent growth of farm production manifested themselves in the growth of national income which, according to preliminary estimates, rose 2.2 percent. Efficiency was the main growth factor in the formation of resources. Parallel with strengthening economic equilibrium, the incremental national income made it possible to improve also the satisfaction of the population's material needs. Personal consumption rose by about 2 percent.

The overall favorable results of economic development must not lead to complacency and cannot obscure the existence of also a series of shortcomings that hampered development and have not been solved satisfactorily.

An analysis of plan fulfillment during 1983 revealed that reserves existed primarily in the realization of structural changes. Although changes in the structure of the branches were introduced in the spirit of the planned objectives, they were not fully ensured in the way the state plan had called for. While the plans for increasing the production volume were fulfilled everywhere except in the wood processing industry, the production cutbacks were not carried out entirely in all the energy- and import-intensive branches. These trends manifested themselves also in December and during the entire quarter of last year. They indicate that it will be necessary to create the conditions for the realization of desirable changes already from the beginning of this year.

Basic Indicators of National Economy's Development in December 1983.  
Increases Over Comparable 1982 Period (in percent)

	<u>Dec</u>	<u>Jan- Dec</u>	<u>State plan</u>
Centrally Administered Industries deliveries for:			
- investments, at wholesale prices	.	1.8	-12.0
- domestic trade			
at wholesale prices	.	3.3	5.0
at retail prices	.	2.6	1.9
- export to socialist countries			
at wholesale prices	.	7.5	1.4
at f.o.b. prices	.	9.0	4.0
- export to nonsocialist countries			
at wholesale prices	.	3.8	-4.1
at f.o.b. prices	.	-1.6	-3.4
- other sales for productive consumption and operations, at wholesale prices	.	1.6	.
volume of industrial production-	-3.2	2.7	1.8
average number of employees	0.4	0.5	0.7
labor productivity based on industrial production	-3.5	2.2	1.0
Construction			
construction work performed with own personnel	-4.9	2.4	-0.1
average number of employees	-0.1	0.0	0.6
labor productivity based on construction work	-4.8	2.5	-0.7
housing units delivered by contracting enterprises	-17.9	-5.8	-6.1
Procurement			
slaughter animals (including poultry)	-7.1	2.8	-1.3
milk	4.2	10.7	1.1
eggs	0.6	6.0	2.2
Retail Turnover			
main trade systems	2.1	2.8	2.1
Foreign Trade <sup>1</sup>			
export to socialist countries	-8.9	9.5	3.6
export to nonsocialist countries	-11.6	0.5	0.0
import from socialist countries	-9.3	10.2	10.0
import from nonsocialist countries	-18.7	-5.6	7.6
Personal Incomes	2.5	3.0	1.5
of which income from wages	0.9	2.7	1.1
Actual Cash Expenditures	1.9	2.9	2.3

Footnote:

1. Data on actual results refer to total transactions. The state plan (in distinction from total transactions) does not include unplanned transactions within the framework of cooperation, unplanned reexport, swaps, tie-in sales, etc.

The plan in 1983 was overfulfilled by 2.1 percent in the metallurgical industry and by 2.4 percent in the chemical industry, partially as a result of increasing the output of economically desirable quality products, but primarily on the basis of the increased export demand for metallurgical materials and chemicals. During the year, this compensated for slippages in the export of other industrial sectors.

Overall the plan's tasks by principal economic directions of the deliveries were fulfilled in December and in 1983 (calculated at wholesale prices); but they were not fulfilled in the expected sectoral structure and in terms of export earnings. There were tendencies to divert deliveries from the strongly competitive capitalist markets to the markets of the socialist countries, domestic investments, or perhaps to domestic trade. The causes of these tendencies, which will have to be eliminated, were the slow rate of innovation and only a slow rise in the technical level and quality of the products in certain sectors. During the first 11 months of 1983, state economic organizations reduced the consumption of materials (without the effect of foreign trade) by 0.58 koruna per 100 korunas of output. According to preliminary estimates, the rationalization measures introduced on the basis of the state target programs to conserve fuel, electricity and metal resulted last year in relative savings of 2.5 million tons of standard fuel equivalent, and the specific consumption of metals dropped 4.5 percent.

Delays in fulfilling economic contracts were still too frequent also in 1983, and some organizations did not meet their responsibility for supplying the appropriate products. Uneven fulfillment of the plan during individual periods resulted not only in diseconomies within the enterprises, but also in hardships, diseconomies and losses at the enterprises' customers.

Smooth operation of the economy was disrupted also by the failure of some of the enterprises to fulfill their production and marketing plans. In 1983, 17.6 percent of the enterprises fell short of their planned production volume; and 12.6 percent fell short of their planned adjusted value added. Their shortfall is lacking in the balanced customer-user relations and represents 2.6 billion korunas of goods in terms of volume. Even more troublesome for the economy are the losses of material and of labor unnecessarily expended on products for which no use can be found, for a variety of reasons. Only the technically and economically advanced products will always have a guaranteed market, at advantageous prices.

Inventory positions reflected all the shortcomings in supplier-user relations. The rise in inventories exceeded the level planned for this year. Billions have been frozen in excessive inventories in this way.

In construction there was a trend toward a more even monthly breakdown of construction work in 1983, and December also contributed to it. Although the construction enterprises as a whole exceeded their plans by the end of December, the seasonal decline in December was smaller: average daily output increased by 4.2 percent over December of the preceding year.

The increase in farm output in 1983 contributed only to a limited extent toward the solution of the basic proportions. The main structural disproportion

between crop production and livestock production remained. Increased supplies of feed from the 1982 harvest, and higher yields of fodder crops in the first half of the year enabled livestock production to increase its output, which in the second half of the year was supported by harvesting the targeted 11 million tons of grain. The low harvests of silage corn, potatoes, sugar beets and other fodder crops, however, have limited the possibilities of continuing the expansion of livestock production in 1984, without exceptional imports of feed. Self-sufficiency in feed and fodder supply must therefore be regarded as a basic duty in agriculture.

The economy's transportation intensity declined. The changeover to less energy-intensive modes of transportation continued, but the goals have not been met in terms of quantity.

In December of last year, trade with the socialist and nonsocialist countries was down by more than one-tenth over December of the preceding year. Throughout the entire year, the plan of export to socialist countries was exceeded, and the import plan was fulfilled. International socialist division of labor intensified further, and the balance of trade was more favorable than what the plan had anticipated. The need to ensure raw materials and supplies through import from the Soviet Union requires that we continue to improve also in the coming years our ability to export to our largest trading partner. The plan of export to nonsocialist countries was fulfilled in 1983 (it called for the same level of export as in 1982). In view of the enforced strict economies, and because a proportion of the imports was deferred until 1984, the planned volume of import was not fulfilled. The openness of our economy constantly keeps in the forefront of attention in the annual plans the questions of foreign trade and of its efficiency.

Purchases by the population in the domestic market during December confirmed that supply of the population's demand has improved further. Primarily the increased deliveries of livestock products by the farms ensured the availability and variety of food products. In spite of further improvement in the supply of industrial goods, there were shortages in some assortments. The rise of personal real incomes by roughly more than 2 percent requires that production and domestic trade constantly devote special attention to supplying the population's needs. The importance of a stable domestic market is underscored partially by the currency circulation, which at the end of 1983 reached 49.3 billion korunas, and by the total of savings deposits, 191.9 billion korunas at the end of the year. During 1983, the net increase in savings and currency in circulation was 16.1 billion korunas.

1014

CSO: 2400/208

## CZECHOSLOVAKIA

### MANAGERS WARNED THAT DATA FALSIFICATION IS ECONOMIC CRIME

Prague HOSPODARSKE NOVINY in Czech 20 Jan 84 p 5

/Article by JUDr Karel Pesta, CSSR General Prosecutor's Office: "Data Falsification"/

/Text/ Economic crimes are one of the negative social phenomena which seriously harm the socialist economy and cause also moral damage. The struggle against economic crimes requires not only consistency in their detection, but also in their prevention. It often happens that the managerial and economic personnel and also the workers of control agencies, are not able to determine whether the action of some persons is an economic crime. For this reason we want to illustrate with concrete examples in this and following issues of HOSPODARSKE NOVINY the facts constituting the most important economic crimes and to refer to the most frequent causes which make these crime possible.

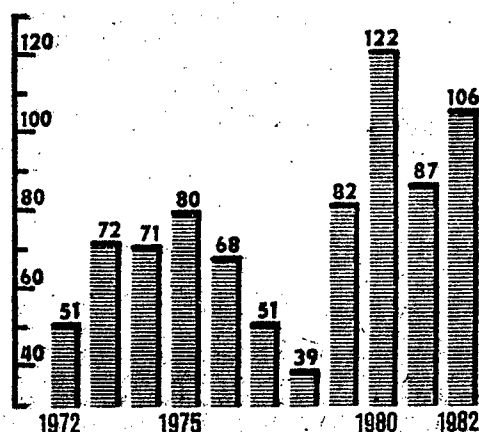
Every responsible worker knows how important it is to have at his disposal enough comprehensive and especially truthful data and to obtain them rapidly. Many people also know from their own experience how tempting it is sometimes to lie or in some other way improve upon the data reported to the superior organs--to put it simply: to take a risk. To their own and above all to the organization's detriment they do not realize that lying and fraud cannot be included among economic risks.

#### Preconditions of Punishability

The most important cases of fraud in the area of information can be punished also according to penal law. In the first place, this concerns the criminal act of disrupting management, planning and control of the national economy according to Section 125 of the penal code. This criminal act is committed by a responsible economic worker who, with the intent of securing unjustified advantages to a state, cooperative or other socialist organization or their constituent part, conveys untruthful or grossly distorted data on important facts in statements or reports used for management, planning, control of the national economy or price



setting. According to law it is punishable by imprisonment of up to 2 years or a corrective measure or ban on activity or fine. Imprisonment is prolonged up to 5 years if by his action the perpetrator caused grave functional disturbance in the national economy or some other particularly grave consequence.



Number of persons prosecuted for criminal acts of disrupting management, planning and control of the national economy according to Sections 125 and 126 of the CSSR penal code during the 1972-1982 period

The truthfulness of data is protected in the material aspect more narrowly, but in other aspects more broadly, also by other provisions of the penal code with regard to the disruption of management, planning and control of the national economy according to Section 126. While this crime materially restricts the object of protection to the documentary material used for price setting, it broadens the possibility of prosecution also for criminal acts committed by negligence and does not require special forethought on the part of the perpetrator to secure unjustified advantages to the organization or its constituent part, and enlarges also the group of persons who can be prosecuted. This concerns not only the responsible economic workers alone, but actually every worker responsible for the truthfulness of data. In this instance law provides for up to 1 year imprisonment or corrective measure or ban on activity or fine.

Since this criminal activity has considerable latency, the recorded number of prosecuted persons apparently includes only a small part of criminal acts actually committed. Likewise, it does not cover instances where criminal activity transcended the area of information and endangered management of funds and material means or was reflected in the unjustified payment of premiums, wages or other bonuses, or made possible or led directly to pilferage, bribes and corruption. In these instances the perpetrators are statistically recorded in connection with other criminal acts concerned.

## Forms of Unlawful Action

Perpetrators with adequate qualification, who are experienced and usually have a good, sometimes even outstanding civic and work reputation, are prosecuted for the criminal acts of disrupting management, planning and control of the national economy. From the functional standpoint virtually all categories of responsible workers have been prosecuted--from enterprise managers and their deputies to foremen, warehousemen, inventory clerks, supply clerks, merchandisers and so on.

If we analyze this criminal activity in detail, we can see its considerable diversity and gradation. From ordinary slovenliness and listing inaccurate figures in various reports to the deliberate effort to improve upon the compliance with the planned indicators, it can grow into more extensive machinations which may already constitute other criminal acts against economic discipline or property in socialist ownership.

Frequently prosecution is instituted for covering up disproportions in supplier-customer relations, when usually the customer makes it possible for the supplier to pretend that the plan has been fulfilled. These forms of indiscipline have particularly grave consequences in the area of capital investment and construction. The proceedings in several criminal investigations brought to light negotiations with typical signs of blackmail on the part of the suppliers of complete industrial plants. Specifically, this involved unfinished construction of a building in the production compound which was described in the respective reports as finished, accepted with approval and paid for the customer. The responsible workers, suppliers and customers were prosecuted. The accused--a worker of the customer organization--stated in his defense that such benevolence toward the supplier was customary and that the supplier had explicitly threatened noncooperation in the future if he did not agree with the proposed falsification of data on the completion of the construction project. Another of the accused defended himself by stating that this behavior brought no harm, but actually an advantage to the customer because only in this way he could win favor with the supplier, who otherwise would not have met his obligations even later on.

Frequent cases of fraud in the area of information occur also in reports on economic results, particularly on the fulfillment of production tasks. At the present time, there is investigation in progress of several extensive group criminal acts concerning false data on production and also on foreign trade. This involves the distortion of the plan fulfillment by magnifying the actual performance in the respective documents. For example, the workers of the concern enterprise Tesla Roznov pod Radhostem and Elektrosvit Nove Zamky were recently sentenced for this activity.

In these and other instances the variability of forms of criminal activity and its goals makes it even more dangerous to the society. Responsible workers on their own initiative and often very ingeniously react to the increasing pressure to comply with the key indicators. We can mention as

an example the prosecution of workers for falsifying records on inferior production. Various forms have recently been registered which have one goal in common--not to exceed the limit set for inferior products. This primarily involved various tricks in record-keeping in the effort to conceal the actual situation with regard to the quantity of low quality products.

Recently, however, the control organs reported to the office of the CSSR general prosecutor actions which go far beyond these stereotypical tricks. Instances were discovered of a fraudulent increase in the number of defective products. For example, an organization reported in this category also the shortages and damage that occurred later on in shipping, transportation to the customer, and storage. The motivation for such behavior must be seen in the effort either to conceal shortages and damage or fraudulently to increase the actual quantity of defective products in order to achieve a higher limit for the rejects in the future planning period.

#### Causes of Indiscipline

The underlying causes of these forms of economic indiscipline are the conflicts of ministerial, group and local interests with the interests of the society. Perpetrators' legal consciousness and frequently also socialist morality in general are often deformed by the long-term effect of the environment which is many times oversaturated with these special interests. Perpetrators gradually formed the idea that what is good for the enterprise is also good for the society, and then they erroneously applied this otherwise correct principle also in the areas where special interests come into conflict with the interests of the entire society.

From the standpoint of the struggle against the causes of these crimes, attention must be paid also to instances when supervisors, collectives and others exert pressure on the perpetrator. The deformation of perpetrators' consciousness sometimes results from an incorrect idea of the omnipotence of some representatives of local or other special interests and thus also from the ensuing wrong belief that societywide legal norms would not be applicable to certain situations. All the more unpleasant is the awakening during the criminal proceedings, when the perpetrator subsequently realizes that his defense referring to various influences and pressure is legally ineffective and that precisely these inducers and instigators dissociate themselves from him.

The focal point of struggle against data falsification must be in the everyday effect of positive moral-political influences in the workplace, and particularly in consistent and uncompromising control. The party organs and mass organizations, particularly the Revolutionary Trade Union Movement, play an irreplaceable role in this respect. They help to make effective also the role of penal law and function of punishment, which in these instances should preventively warn other workers that they must quickly, and not only later on in the criminal proceedings, discern where the risk ends and the hazard begins.

AGRICULTURE NEEDS MORE BETTER TRAINED YOUNG PEOPLE

Prague LIDOVA DEMOKRACIE in Czech 7 Feb 84 p 3

[Unsigned article distributed by CTK: "Agriculture Needs More Young People"]

[Text] Approximately 1,400,000 workers are engaged in food production in the CSSR at the present time, which is about [figure illegible] percent of the entire labor force employed in our national economy. Of this number approximately 200,000 work outside the agricultural-food complex.

Their age structure, particularly that of the farmers, is unfavorable. In the past, up to 1965, when their average age reached 46.5 years, the workers of state farms and unified agricultural cooperatives were constantly "growing older." Although the average age has somewhat decreased since then, to 42.3 years today, this figure is considerably above the statewide average. The lowering of the average age has been brought about primarily by the arrival of young people from other occupations which, however, is not the proper way of solving this problem in the future.

There are few young people--approximately 21 percent--in the agricultural enterprises. On the other hand, approximately 17 percent of agricultural workers of postproductive age work on the fields. This is three times as many as in other sectors of the national economy. A critical situation exists particularly in JZD [unified agricultural cooperative] crop production where, for example, in the CSR 50 percent of all female workers are of retirement age.

These data make it clear that the sector must take much better care of the young generation. After all, approximately 26,000 graduates from various schools come to the enterprises every year and the youth may constitute more than one-third. For this reason, all levels of agricultural schools are being reviewed at the present time. It follows from this survey that instruction will have to be much more adapted to the industrialization of agriculture.

In the selection of students attention should be paid, naturally with reference to the conditions and needs of individual sectors, to the number of women admitted. It is not an exception that women constitute a majority in certain courses. Yet, the increasing scope of work with the mobile machinery and in

the workshops has meant that, while half of the workers in agriculture were women in 1970, approximately 40 percent are today. It is thus evident that a large number of agricultural female experts work outside this sector.

The number of units of instruction and courses of study also will have to be increased. They must cover new specialized occupations, such as agricultural carpenter, sheep breeder, and the education of sugar and starch experts for food industry. On the basis of comments from practice, it is necessary to provide high school graduates with a better knowledge of practical principles of management, organization and planning, work and production processes. It will also be necessary to revise and objectify the wage scales in the job qualification catalogs with reference to the changes in the standard and complexity of work in agriculture.

10501

CSO: 2400/225

# ORGANIZATIONS SUPPORTING INNOVATIONS LISTED

Budapest OTLET in Hungarian 22 Dec 83 pp 4-5

[Article: "K + F ≠ Innovation"]

[Text] "An enormous gap exists between the fabricators of ideas and the potential users. These new organizations are designed to close this gap," said a banking specialist who is regarded as an authority in the field of innovations.

It is becoming more and more difficult to find one's way among the mushrooming innovation and development funds, amalgamations, associations, and development and managing organizations. As suitable to modern conditions, we may differentiate four categories. First, the organizations that deal mainly with financing; second, firms that deal with financing and organization, management or possibly production; third, innovative undertakings which conduct innovation and management tasks not as independent legal bodies but as parts of economic enterprises and cooperatives, possibly even in the framework of activity that is not a part of the profile; and fourth, small enterprises in the form of gmk's [business work partnerships], pjt's [business associations complete with rights of a corporation], small coops, and so forth. It is characteristic of these forms that they do not have much capital, and are limited to the production of a given product in their sphere of activity or to the management of an idea or two. In our review, which is by no means complete, we shall deal principally with organizations belonging to the first category. With this we wish to help in the orientation of our readers and all organizations interested in innovation. It is our intention in the future also to publish in our columns information on innovation organizations, and to this end we request the help of interested firms. The editors of OTLET would like to help intellectual capital in Hungary find its most appropriate organizations. We would therefore like to create an up-to-date "data bank" as complete as possible. Of course the bank would be available to all those interested in innovation. We request all organizations (enterprises, gmk's, pjt's, small coops, affiliates and other small institutions which are active in innovation) to call at our editorial office with a brief description of their activity, their correct address, and perhaps an indication of the extent of their material possibilities.

Title	Year of Establish- ment	Founder
1. Central Money Exchange and Credit Bank, Inc., Budapest Innovation Fund	1980	Hungarian National Bank Capital contributed by National Technical Development Committee, Ministry of Industry, Ministry of Agriculture and Food Industry, Ministry of Transportation and Post, Ministry of Construction and Urban Development, Ministry of Health, State Development Bank
2. State Development Bank, legal and enterprise organization department	1979	State Development Bank
3. Creative Youth Association	1981	State Development Bank, National Technical Development Committee
4. Technical Development Financial Association	1983	State Development Bank, National Technical Development Committee
5. Construction Innovation Fund	1983	State Development Bank, Ministry of Construction and Urban Development
6. Agrarian Innovation Association	1983 began operations 1984	State Development Bank, Ministry of Agriculture and Food, National Federation of Producer Cooperatives, National Federation of Consumer Cooperatives
7. Industrial Cooperative Development Association	1983 began operations 1984	State Development Bank, OKISZ (National Federation of Artisan Cooperatives)
8. Artisans' Innovation Office	1982	State Development Bank, Artisans' National Organization
9. National Savings Bank (Entrepreneurs' Bank Office)	Operations begin 1984	National Savings Bank
10. Industrial Innovation	Operations begin 1984	Ministry of Industry

- |                     |   |  |
|---------------------|---|--|
| 11. INTERINVEST     | 1980<br>Opera-<br>tion as<br>of Janu-<br>ary 1981 | Hungarian Foreign Trade Bank and<br>44 foreign trade enterprises   |
| 12. NOVOTRADE, Inc. | 1983  | Central Money Exchange and Credit<br>Bank, Inc, Budapest Innovation<br>Fund, State Development Bank,<br>Hungarian Foreign Trade Bank, Na-<br>tional Savings Bank and 70 enter-<br>prises, cooperatives |

Area of Activity	Address	Manager
1. Hungarian intellectual products as marketable goods; licensed development and financing of services. Risk undertaking fund, participation in the establishment of enterprises for realizing innovations	Budapest V, Szabad- sag ter 5-6	Erzsebet Birman, manager
2. Establishment of enterprises, organizing and starting of new undertakings, founding of mixed enterprises at home and abroad	Budapest V, Deak F. u. 5 IV emelet	Agnes Cseresnyes, manager
3. With extended network, characteristic activity helps in the creation and use of innovations, technical and other type ideas, novelties and inventions	Budapest VI, Jokai u. 8	Dr Dezso Bolte, manager
4. Speeding up of innovation processes, primarily with the unified financing of technical developments and investments	Budapest V, Deak F. u 5	
5. Technical development related to the construction and construction material industry and the coordinated bank financing linked to it	Budapest V, Deak F. u. 5	Tamas Varga, manager
6. Financing of innovative processes realized in agriculture and the food industry and in sub-branches serving as basic industrial and commercial support activities	No permanent ad- dress	



- |  |  |                                |
|--|--|--------------------------------|
| 7. Promotion by financial means of innovative processes being implemented in industrial cooperatives. The establishment of new associations, coops, enterprises  | No permanent ad-                           |                                |
| 8. The promotion of the practical use of innovations, inventions by financial means, chiefly in the case of products where the inventor himself is involved or the artisan cooperating in the production | Budapest VIII,<br>Horvath M. ter 10        | Jozsef Kacsoh,<br>manager      |
| 9. Financing of business-innovation activity among private entrepreneurs, business-bank transactions and temporary or permanent financial funds  | Budapest V, Munnich<br>F. u 16 (temporary) |                                |
| 10. Technical development with special regard to developed technologies. Financing as credit or in the case of mutual risk taking in the form of result sharing  | Budapest II,<br>Varsanyi 1 u.              | Gyorgy Marosan, Jr.<br>manager |
| 11. Financing of investments and developments to expand capitalist goods base or achieve import savings, the establishment and organization of foreign enterprises                                       | Budapest V,<br>Dorottya 8                  | Dr Attila Csenger,<br>manager  |
| 12. Financing, organization, management of innovative undertakings   | Budapest XIII,<br>Furst S. u. 24-26        | Gabor Renyi,<br>manager        |

6691

CSO: 2500/222

# SOLUTION FOR TERMINATING FOUNDERING ENTERPRISES STILL SOUGHT

Budapest FIGYELO in Hungarian 19 Jan 84 p 4

[Article by Katalin T. Forgacs: "The Case of the Hat Factory"]

[Text] The Hat Factory (Kalapgyar) will go down in the modern history of enterprise liquidations somewhat like the proverbial veterinarian's horse with the symptoms of every disease a horse can have. The case shows crystal clear how badly we need a mechanism to settle the affairs of floundering enterprises, especially procedures to liquidate them. In principle, state enterprises always cease through reorganization, usually through their consolidation into other organizations. According to the data of the PM [Ministry of Finance] Chief Directorate of Control (Ellenorzesi Foigazgatosag), between 1 January 1980 and 31 December 1983 a total of 33 economic units were liquidated without legal successors. All of them were cooperatives or joint venture of cooperatives. There is no state enterprise among them because--as we have already noted--state enterprises have always been terminated through reorganization, with legal successors. This fosters the assumption that the activities in question can always be performed economically within the framework of another enterprise. This assumption obviously cannot be valid in every case, already because of the law of averages. Although quantification for or against is impossible in retrospect, at least in a few instances it probably would have been better to terminate the enterprises without designating legal successors for them.

The case of the Hat Factory also shows what unfavorable consequences the absence of a smooth mechanism for the termination of enterprises has: decisions are inevitably delayed; the managing organs attempt to prevent news leaks while they are seeking the best possible solution; yet rumors, half-truths and scare stories spread at the enterprise. By the time a final decision was reached in late January 1984, quite a few employees of the Hat Factory had already left. This is specifically what the managing organs had wanted to prevent by being discreet.

The decision calls for consolidating the Hat Factory into the Orion Radio and Electrical Enterprise (Orion Radio es Villamossagi Vallalat). Why did it take nearly 9 months to reach this decision? Well, the Ministry of Industry as the founding organization examined many other alternatives as well. For example, the possibility of consolidation into the Pannonia Fur Factory (Pannonia Szor-mearugyar), the Domestic Worsted Mill (Hazai Fesusfono), the VOR [expansion

unknown] or the Ujpest Woolen Mill (Ujpesti Gyapjuszovo) was examined. Also Orion, the Hemp and Jute Enterprise (Kender Juta), and the Jaszbereny Refrigerator Factory (Jaszberenyi Hutogepgyar) wanted the work force and assets of the Hat Factory.

But the investigations revealed that the Hat Factory had repayable development credits of about 50 million forints in addition to the 25-million-forint loss expected for 1983, and provisions had to be made also for the repayment of a latent loss of about 70 million forints. (The enterprise's inventory is worth this much less than what the books show.)

To no small extent the decision was delayed because the ministry did not find an enterprise that could have absorbed these losses without shock and also would have guaranteed continuous employment for the work force. In the end Orion was selected. It is assuming the operating loss and repayment of the credits. Together with interest, the amount will approximate the order of 100 million forints. This is offset by the present book value of the Hat Factory: 109 million forints. (The Ministry of Finance and the Hungarian National Bank are to decide in the near future what is to be done about the additional inventory write-off of 70 million forints.) Another argument in favor of Orion is that approximately 400 workers of the Hat Factory's work force of about 700 are employed in Jaszfenyszaru, just across the fence from one of Orion's factory units.

Thus there will be a consolidation of balance sheets. In Hungary, as we have seen, this is practically the only means employed to terminate state enterprises. According to the ministry's standpoint, one advantage of this method is that the workers' employment is ensured without interruption. Furthermore, it is being assumed that Orion will use the Hat Factory's assets far more efficiently. And also that the national economy would have sustained a greater loss if the decision had been for the direct liquidation of the enterprise. In which case the machinery and buildings would have been sold, and the workers would have been told that the Hat Factory had ceased and they should find new jobs for themselves.

Now, of course, these assumptions will not be proved numerically, for the decision has been adopted to let another economic organization absorb the losses, one that is better off financially. It will likewise not be easy to quantify what role the consolidated Hat Factory will play, on the plus or minus side, in the future net profits of Orion, since the consolidation will require also internal reorganization. (Incidentally, Orion will have to fulfill until the end of 1985 the Hat Factory's contracts that will still be in force.) In any case, let us hope that time will confirm the ministry's expectations, and that consolidation will truly prove the better solution than to sell off the assets of the enterprise and liquidate it.

The fact remains that the ministry finally did make a decision. In issue No 44 of 1983, in an article entitled "What Is Under the Hat," we reported in detail the managing organs' earlier responsibility in conjunction with the Hat Factory, how much money they had injected into the enterprise, and how many times they had instructed the enterprise's management to prepare a plan of measures. We also reported that these plans, one after the other, had proven unrealistic

and that the enterprise had been floundering amidst financial difficulties for years, but without any serious consequences. Now, finally, there seems to have been a change of opinion, for the affairs of the Halas Knitwear Factory (Halasi Kotottarugyar)--see FIGYELŐ, No 29, 1983--and of the Rakoczi Press (Rakoczi Nyomda) were settled in 1983, and now the Hat Factory case has been closed at the end of January 1984.

But it would be harmful to make a virtue of necessity at all cost, and not to express our reservations in conjunction with the method of consolidating balance sheets. For although the Ministry of Industry emphasizes the advantages of this method, it too clearly sees that it had no other choice but to find a financially strong enterprise which would digest the consolidation somehow. The ministry had no other choice because--as we have pointed out--no procedure has truly developed for settling the affairs of enterprises that are operating permanently at a loss. There are substantial gaps in the statutory regulations governing the liquidation of enterprises. In decree No 37/1978 (23 Dec) of the Ministry of Finance, for example, the duties of the liquidator and of the registry court are blurred. The liquidator may be a commissioner appointed by the ministry to manage the enterprise temporarily, or a legal entity, or the Central Corporation of Financial Institutions (Penzintezeti Kozpont). In other words, the Central Corporation of Financial Institutions can be the liquidator; but if it is not the liquidator, then it has the right to oversee legality (exercising the jurisdiction of the registry court). A further gap in the regulation of bankruptcy proceedings is that the liquidator--wherever a comprehensive revision of bankruptcy law will assign this task, hopefully soon--must have, as a matter of principle, certain resources at his disposal to cover the costs arising during the liquidation of the enterprise. (And, logically, the liquidator should be entitled to a certain percentage of the net assets realized from the liquidation.)

For the time being, these questions remain unclarified. So far, the Central Corporation of Financial Institutions has not liquidated any enterprise. And the founding organ, the Ministry of Industry, is forced to resort to the consolidation of balance sheets already because it has no resources from which to cover the costs that unavoidably arise during liquidations.

Thus there unquestionably is a need for suitable statutory regulation as soon as possible. The normal functioning of the economy should be accompanied by the founding and liquidation of far more enterprises than at present. (In Austria there were 2072 cases of insolvency proceedings in 1979, and 2285 in 1980; of these, 966 and 961 cases respectively ended in bankruptcies.). If the liquidation of floundering enterprises is made compulsory through statutory regulation and an appropriate institutional framework, then perhaps also the tension and information gap that now surround enterprises in financial trouble would be relaxed to some extent. We should reach the point where the liquidation of enterprises becomes much more commonplace than at present.

ENTERPRISES FIND PRODUCT STRUCTURE CHANGES DIFFICULT

Budapest FIGYELO in Hungarian 19 Jan 84 p 3

[Article by Tamas Szatmari: "The Contradictions of Changing the Product Structure"]

[Text] The product structure of Hungary's industrial enterprises is extremely heterogeneous. During the past 1.5 to 2 decades--partially as the producers' economic legacy, and despite the narrowing of the product structure in many areas--there developed a horizontal product diversification that exceeds the country's size and possibilities.

During the 1970's, the institution of so-called supply responsibility hampered the termination of many unpromising, low-profit or unprofitable activities, and concentration of the product mix. It involved the obligation to ensure the supply of the domestic users' needs. Discontinuation of a product for economic reasons was cumbersome already because the producer, before he could discontinue the product, had to find another source of supply, domestically or through ruble-denominated import. If neither was available, the producer had to investigate the prices at which the product could be imported from capitalist countries. To discontinue the product, then, the given enterprise had to conduct lengthy negotiations--with the foreign-trade and domestic-trade enterprises, the users who were insisting on the old product, and the financial and price authorities--to reconcile the various interests. This often delayed for years the sensible culling of products.

Export-oriented development policy in the 1960's triggered a process of product culling among the enterprises participating in production specialization and cooperation. At most of the economic units affected by CEMA cooperation, new production structures and the inclusion of new activities became necessary. In the final outcome, due to numerous factors, specialization did not narrow the product mix, or it did so only slightly.

In developing the structure of their hard-currency-denominated export under the course correction that unfolded from the mid-1970's on, the domestic economic units were encouraged by the prospects of higher profits and economies of scale, and by the limits of the convertibility of enterprise assets, to develop and produce a single product. At the same time, however, the desire for stability and security against the frequent changes in market conditions increased the value of product diversification. The more favorable profitability of the

other products could offset the possible marketing losses of a single product or product group.

### Impact of 45 Billion Forints

The conditions that characterized development policy, and investment policy within it, strongly influenced the solution of this dilemma and the width of the formed product structure. The government announced that it was appropriating 45 billion forints to provide so-called credits for the expansion of hard-currency export, whereby it strived to promote the product structure's rapid transformation so that it would increasingly meet the market's requirements.

The basic condition that had to be met was about 2.0 million dollars' worth of export in 1975 per enterprise. On this basis, about 50 enterprises outside the food industry were able to apply for credit. Their share of capitalist export was close to 40 percent. Thus large enterprises accounted for the bulk of the credits provided. The profitability of export was influenced unfavorably by the fact that export denominated in hard currency had not been profitable, before the commencement of the investment projects, at nearly two-thirds of the enterprises availing themselves of the credit appropriation in 1976. The degree of hard-currency export's concentration rose. This is clearly reflected, for example, in the fact that within the machine industry, whose share of the credit appropriation was the largest, about 20 enterprises accounted for nearly 80 percent of this sector's 1980 and 1981 export denominated in hard currency.

An unfavorable consequence of setting the volume requirements to obtain credit for the expansion of export denominated in hard currency was the exclusion initially of most small and medium enterprises that, by adjusting rapidly, could have undertaken development projects.

The stipulation that at least 70 percent of the additional output resulting from investment projects financed with credits from the 45-billion-forint appropriation limited cooperation among domestic enterprises because every enterprise that obtained such credit wanted first of all to export directly. Moreover, considerations of enterprise prestige, as well as the desire to avoid dependence on final producers and the consolidation that often accompanied such dependence, led potential suppliers of parts and subassemblies to increase their hard-currency export by as much as possible and, in the case of products of a lower degree of fabrication, to give preference to export sales over domestic sales, over permanent domestic production cooperation. As a result, often foreign firms established contact between domestic producers.

The large enterprises found that the feasible way of attaining within a relatively short time the export-volume expansion required to qualify for investment credits and other benefits was primarily to add new products to their product mix, parallel with maintaining and maximizing their previous exports denominated in hard currency. Thus they expanded their hard-currency export by selling their existing, more or less modernized, "smoothly running" and in many respects obsolete products, and by introducing many new products manufactured on the basis of foreign licenses or within the framework of capitalist cooperation.

## Motives for Cooperation

The primary consideration that led the domestic economic units to develop cooperation arrangements was to bridge with their help the problems appearing in the individual links of the reproduction process.

A general characteristic of international cooperation arrangements is that usually the latest, most advanced product designs and production processes cannot be acquired through cooperational relations. Moreover, the possibilities of improving our competitiveness are limited to a significant extent also by the fact that the overwhelming majority of the Hungarian enterprises' international cooperation relations call for organizing domestic production on the basis of foreign R & D results. Practical application of the results of R & D conducted in Hungary, or undertaken jointly with a corporation in an advanced capitalist country, is characteristic of only a small proportion of the more than 500 cooperation arrangements. In the case of cooperation arrangements with multinational corporations, already the difference in capabilities and R & D potential made joint R & D questionable. The contracts concluded with medium and small enterprises usually called for the mutual and continuous exchange of technical information between the cooperating parties. But the limited results and low efficiency of domestic R & D usually ruled out the transfer of valuable R & D results. From the mid-1970's on, therefore, one-way flow of R & D results from the capitalist partner became the basic characteristic of international economic cooperation. In a large proportion of the cooperation relations this led to the technological dependence of the Hungarian enterprises.

## Blind Alleys

A contributing factor in the spreading of passive cooperation arrangements of the receiving type was that some of the enterprises wished to load in this manner their available surplus capacities built originally for other purposes. A mutual interest established on this basis was advantageous for the domestic economic units, but at the same time it resulted primarily in the expansion of custom processing, or of cooperation arrangements involving custom processing.

At many producers there evolved a peculiar strategy of participation in the international division of labor. The enterprises strived to finance by developing custom-processing cooperation arrangements the substantial foreign-exchange costs of acquiring the modern know-how that served as the industrial technology base of ruble-denominated export or domestic sales. Tie-ins are very often typical of cooperation arrangements. In many instances the export consisted of entirely different products from the enterprise's product mix, or of other domestic enterprises' shipments that were completely unrelated to the given cooperation arrangement.

From the mid-1970's on, deliveries to cooperating partners rose at an exceptionally rapid rate. While in 1975 barely more than half (51 percent) of the cooperational export denominated in hard currency went to cooperating partners, by 1981 this proportion increased to 86 percent. These figures reflect also the fact that the Hungarian enterprises' trade dependence on their cooperating partners has risen considerably by the early 1980's, and that their sales are influenced increasingly by how the foreign partners' marketing opportunities develop.

The relations established with the world's leading multinational corporations, on the fringes of their activity, are narrowing increasingly for the large domestic enterprises, and often only a fraction of the planned turnover is realized. These multinational corporations are striving first of all to maintain and expand their strategic products. When streamlining their product structures, they often cull the cooperation arrangements established with the socialist countries' enterprises, or amidst the recession they often attempt to curtail trade by raising objections to quality or by offering unrealistically low delivery prices.

#### Through a Niche?

At small and medium capitalist enterprises the recession created considerable idle capacity by the beginning of the 1980's. They have been forced to lay off large numbers of workers and to shed a substantial amount of fixed capital; their work force is working a short week; and finished goods have piled up in their storehouses. Thus their interest is diminishing in accepting from the Hungarian enterprises deliveries of products that incorporate little intellectual effort and a large proportion of physical labor.

The basic problem of the cooperation arrangements established with capitalist firms is that a by no means insignificant proportion of the Hungarian producers started out from a misconstrued market-niche policy: broadening their product mix, they built a production base for many products that became exportable only because the capitalist firms had phased out the products in question. The supply gap meant that for a time export could be expanded, and the previously low export in value terms could even increase severalfold. For many enterprises, however, it proved a fundamental mistake to raise the favorable short-term sales situation to the level of a marketing strategy and to forecast rising profitable sales also long term. The recession that has been deepening for about a decade has increasingly devalued the activities incorporating little intellectual effort; the export of products that are past their peak is fetching lower prices than what competitors are getting; and all this jointly has caused a worsening of the terms of trade.

A few enterprises, primarily the ones that have a traditional and well-equipped research base of their own, have sensed one of the sore points of international economic cooperation and have been striving in recent years to increase the amount of domestic intellectual effort contained in the cooperation arrangements, to develop further the transferred technical know-how. However, the circle of these enterprises is still too small as yet, and the opportunities of most of them are significantly circumscribed by the slow realization of investment projects that is typical of the entire Hungarian economy, by the paucity of liquid development resources, the readiness of domestic part and subassembly suppliers, and--last but not least--by the absence of a skilled work force that can meet the increased technical requirements.



CRITIC OF MARXIST ECONOMIC THEORY, PRACTICE DRAWS SHARP RETORTS

Socialization Versus Nationalization

Warsaw ZYCIE GOSPODARCZE in Polish No 39, 25 Sep 84 p 4

[Article by Prof Andrzej Michalewski, Institute of Political Economy, Lodz University: "Is There a Crisis of Economic Theory?"]

[Text] There is no doubt today that the entire world, not only the highly industrialized countries but also the others: the average or poorly developed, capitalist and socialist, to a different degree, it is true, but for similar reasons, have become entangled in a mesh of complicated, critical events. This is not, to be sure, only an economic crisis, because political and social aspects interweave themselves in an extremely complex way. Ecological, psychological and other threats are becoming increasingly more evident and dangerous. But not without good reason, economic dilemmas of every description draw the greatest attention. These dilemmas are the ones which most strongly and most directly affect people, moreover they are the ones that most often, although not always, are the source of social and political conflicts. Religious wars are an extreme rarity today. East-West and North-South conflicts, to say nothing about the antinomies arising within these "worlds", are determined solely by economic issues.

Indeed, unemployment, inflation, stagnation, the enormous indebtedness of several countries to a few--the payments crisis is being referred to here--, the hunger in one-third of the world's population, the shrinking resources of some important raw materials, the population explosion, to name just a few of these problems--describes the shape of our world today.

Thus increasingly more often in science and journalism, particularly in the West, we hear the question: does not this critical world situation and the lack of clear prospects for emergence from this crisis indicate possibly that there is a crisis of social sciences in general, and economic theory in particular? Is it precisely the theory of economy, the science examining the laws of economics, which is established to interpret economic processes and events, committed to giving professional opinions for practical operations, that is responsible for this state of affairs? Is it helpless in the face of these events, not able to correctly define them and find the proper prescription for these serious ailments?

In the 1930's the problems of the crisis, the assessment of its causes, the forms in which it appeared, and the remedial measures, were relatively simple. The crisis indicated an overproduction of goods, a lack of demand, unemployment, and the failure to make use of the productive capacity of enterprises and the entire, or almost the entire, economy. Keynes, with his theory that the state should supplement the lack in demand, hit the nail on the head, and the policy based on this theory turned out to be successful. At the end of the interwar period, and for several years after the end of World War II, not only did the 1929-1933 collapse not recur but economic stability was almost good. The relatively low unemployment and low reserves of manufacturing capacity were regarded as a necessary margin to make the economy more flexible, but there was no talk of inflation. It was excluded by theory (where manufacturing capacity (materials and personnel) is not utilized, a possible growth in demand gives rise to a rapid growth in supply of goods, rather than to an increase in prices) and economic practice agreed with theory. Price movement was small, and more of a fluctuating type, more in conformity with economic conditions than with a growth trend.

The effectiveness of the Keynesian revolution, therefore, was fully confirmed. The observations of Keynes himself were also confirmed--that a given theory is successful only when it is spread by people who understand it and have been trained in it, when they surround themselves with enough influential advocates of the theory, who reason and act in accordance with its premises. This is, I would think, an important and frequently underestimated condition for effective linkage of economic theory with economic practice.

Yet the 1960's, and particularly the 1970's, showed that the Keynesian concept of regulating demand and staying on the middle road between inflation and deflation is more and more difficult.

Economic conditions changed, and therefore theory also had to change. The neoclassic synthesis of the 1960's was supposed to supplement the shortcomings of Keynesian theory, and make the proper adjustments for new phenomena, especially unemployment. Changes in theory depended on acceptance of two new assumptions. The first pertained to large-scale economic theory: it was necessary to consider the state of full utilization of production capacity and introduce a differentiation between an inflationary gap and a deflationary gap. Second, a small-scale, microeconomic reasoning was introduced, based on the concept of a "rational person", whose behavior is described by the theory of consumer and enterprise balance, both based on a model of perfect competition, supplemented only by the assumptions of a model of imperfect and monopolistic competition.

But the system of neoclassic synthesis which thus arose did not fulfill expectations. It is, as a matter of fact, not sufficiently cohesive internally and in some places even contradictory. This is not the place to adequately report on such matters, but attention must be called to the fact that the so-called "Phillips curve", which envisages the interchangeability of inflation and unemployment where stagflation exists, is not correct since both these phenomena exist simultaneously. This is important, because state policy

was based on the Phillips curve, and the economic failures of the last 15-20 years, and especially the last 10 years, are attributed, and quite rightly so, to bad theory. In addition, after a relatively good decade of the 1960's, these stagflation tendencies intensified, and a very bad decade--worse than many others--appeared in the 1970's, carrying with a 10 percent rate of inflation and a high unemployment rate.

Therefore, this failure directed new and rather sharp attacks on the theory of economy, namely that is not the generalization of human behavior, that it is not a model of reality, but only an analytical abstraction, an ideal, a convenient fiction without transmission from reality, that it makes use of obsolete research apparatus and thus cannot fulfill its tasks. Therefore, new economic directions are developing, based especially on the already imposed ideas of open competition, and transferring the burden of an analysis of demand to problems of supply. Interesting attempts are also being made to examine the motivations of people in economic activity, but the question about a crisis of economic theory, both in western journalism and in our deliberations, remains open.

It is characteristic that all discussions pertaining to economic policy, to say nothing of scientific publications, conclude with a dispute about the economic theory and its role and influence on economic policy. The writer of these words believes that economic theory, especially good theory, should in all systems be the compass by which economic policy should be guided, and that it should not stray too far.

But we know that this is not so. After all, always, at all times and in all political systems, it is the politicians who govern and decide, and not the economists. And even if by accident the decisionmaker is an economist, which does not happen very often, he is guided, as are all politicians, by short-term tactics, only loosely connected with economic theory, and generally neglects the long-range strategy on which knowledge about the economy is usually based. And so it is not the scholars who govern, but the politicians, and the latter are not always scholars. Let us admit that this is not unimportant.

I do not intend to defend the bourgeois theory of economics. On a rather broad scale it defends itself, and indeed it has developed many interesting research instruments which we, too, use. It also has many weaknesses, including a tendency to apologize, to treat many problems, particularly social ones, superficially, and to escape into imagined, unreal research ideas. It is also a fact that contemporary bourgeois theories are not able to deal with the challenge that today's world presents. But is this certain proof that economic theory is in crisis? Anyway, let us add that neither is our marxist theory of economics fully prepared to formulate a prescription for all of the world's ailments (it does not take up many problems at all), and, after all, it has many problems with its own economy--about which, later.

I would not accuse economic theory too strongly, because ignoring the rather loose correlation between economic theory and policy, and also ignoring the equally vague concept of the "crisis of economic theory", the fact is that

management conditions have deteriorated, and rather drastically at that, throughout the world and in specific countries and regions. The tendencies to these changes have been growing for a long time and have been apparent for several score years, but exploded with great force in the last 10 years.

I have in mind here principally two matters. First, armaments, which have certainly lost their old healing character in relation to the economy (mainly the American economy), are operating in a very inflationary way today, to say nothing about the diminished possibilities of meeting the always unmet numerous social needs in this wealthy country. Second, I have in mind the steadily increasing disproportions in the world's development, and particularly on the North-South axis, but also on the East-West axis. Here I see the main, although not the only, cause for the payments difficulties and inflationary processes. The world needs raw materials, energy and food, and the Third World today is a large consumer and debtor and there is no indication that this situation will improve.

Can the economy theory be blamed for this? A purist will reply that to a certain degree it can, for it was this theory that 200 years ago justified the acquisition of colonies, and it is this theory, too, that, although under different conditions, supplied the arguments in favor of an armaments policy. The purist was right, but I do not believe that these arguments would be convincing now. As a matter of fact, the economic sciences bear no responsibility, or almost no responsibility, for this state of affairs, or also for the fact that the easily accessible minerals are being (or have been) depleted, which promotes inflationary tendencies, and that the responsibility for getting out of this situation is beyond their capabilities.

Economists do not make decisions on disarmament (the theory on the economic feasibilities of disarmament was developed a long time ago) and the reversal of disproportions in the world's development also is not within the scope of management theory, although it is hard to say under whose aegis this problem now lies. We know what should be done: the first step, which is essential but we do not know how it should be taken, is to transfer revenues from the metropolises to the former colonies. None of the wealthy countries want to tighten their belts, despite many international resolutions on this matter.

Can it be concluded from the above contemplations that economic theory has no future? No, of course not. The undersigned is not competent, and anyway this is not the place, to list only those problems and those fields in which economic theory has a chance to develop and society can count on the fruits of this work.

Permit me simply to call attention to two issues. First, there is an urgent need for further research on the connections between economy and ecology and an attempt to include the latter in the economic cost accounting. Second, in connection with the globalization of economic relations in the world, there is a need for closer association of the national economies with the world economy. The development of a national economy is only effective to the degree that the government is able to successfully foresee development trends in the world economy.

Is a question on a crisis of marxist economy justified? Yes, completely. First, because we are part of world science, we live on the same planet, and "world crisis" processes are not foreign to us. We have, I think, an obligation to make our contribution to this theory (these theories, for, of course, there are many of them). Still there is no marxist theory of inflation, and there should be, just as there is no marxist theory on economic cycles in a socialist system (or it is in status nascendi). Second, talk about a crisis of our economic theory is reasonable because we are going through a severe crisis (I will restrict myself to our country) and even, assuming a weak correlation between the state of the economic sciences and the state of the economy, it can, after all, be assumed that the economic sciences also bear some odium for this crisis.

Questions directed at our social and economic sciences differ from those that are asked in the west. We tend to turn inward, towards our internal, national problems, which is understandable in view of our much more modest achievements in this field, and our economic situation which demands correction--in the field of theory also. In any case, it must be said that our input to solving the world's crisis, although necessary (if only for reasons of ambition), has less of a chance of success than our input into "economizing" our economies, and particularly our own, Polish economy.

I think that the basic problem of our economy is an increase in its efficiency, yet one of the greatest mistakes of our economic policy, and partially of our theory, was the nationalization of the economy instead of the socialization of it. The absence of actual socialization of means of production was not only a departure from the principles and ideals of socialism, it was not only a political mistake, but it was also a move that was extremely fraught with bad economic results. Because instead of a feeling of ownership, and furthermore, responsibility for production (quality, quantity, assortment, costs), nationalization brought in a heavy bureaucratic machine with all of its effects.

I think that it is not necessary now to break down the door and convince anyone of the role and importance of the socialization of means of production. It is only reasonable to call attention to the fact that in the west the theory and practice of worker participation is rapidly developing. Some elements of this theory and practice, together with elements of the theory and practice of work humanization, could, I would think, be accepted by us without any detriment to socialism--on the contrary, with benefit to it. I would only add that democracy, including also the so-called industrial democracy, is not only an important incentive factor, it is also an important social need.

It would also be well to call attention to the theory of state interventionism in a socialist system. There is no such theory, and there should be, especially in our system. We know that the state must exert an influence on the economy, but we do not quite know in what range. What should it do, what can it do, what not, and why? Among other things, there should be no administrative distribution of the work force (and the intent is to do this), because no official, not even the best, can in any way replace economic mechanisms. And so we know for certain that assuming the entire burden does not work out well for anyone; neither the state, because it cannot accomplish all of its excessive duties, not society, because it demobilizes, believing that the state will take care of everything.

Nor is there a theory pertaining to the social activity of the state, and that is too bad, because we do not know how far the state should go in providing care now, during the crisis, and later, when the crisis has ended.

There is no way that all of the blank spaces on the economic map can be counted up, and in any case, that was not the purpose of this article. I would only like to call attention to the fact that economic development thus far, which took place more through division--which, after all, was analytically reasonable--did not help to apply theory to practice. With the participation of other allied sciences--sociology and psychology--an attempt should be made at synthesis.

There is no crisis of bourgeois economic theory. There is a crisis of world civilization, and here economic theory, although it is not unimportant, cannot help as much as can a change in the order of values and goals to which man strives, including a change in attitude, from "to have" to "to be".

There is no crisis of marxist economic theory, although I think that much--a great deal--remains to be done for existing theories (but perhaps not all of them), plus new-found theories, to be fully applied in practice.

#### Crisis of Marxist Economists

Warsaw ZYCIE GOSPODARCZE in Polish No 6, 5 Feb 84 p 12

[Article by Stanislaw Czaja; "Understanding the Essence"]

[Text] The problem of a crisis of economic theory has been brought up frequently in recent years. Most economists agree that economy is experiencing great difficulties. Some are seeking the reasons for this in the essence of science itself, in the imperfections of research methods, and in the lack of connections between theory and practice. Others, like Andrzej Michalewski, author of the article "Is There a Crisis of Economic Theory?" published in ZYCIE GOSPODARCZE, No 39, 1983, incline to the assertion that reason for the failure of the economy is the crisis of the modern world. Human civilization faces the specter of the depletion of energy and raw-materials resources, the food shortage is becoming more acute, and an ecological barrier is appearing. Deep conflicts on the East-West and North-South axes and the arms race which is exhausting the most valuable human resources, are intensifying the problems of the contemporary world. Both poor and wealthy countries have been affected. But are they the cause of the economic crisis? Does such a crisis actually exist?

Michalewski writes that "there is no crisis of bourgeois economic theory. There is a crisis of world civilization." This is not true. The recently deceased distinguished English economist, Joan Robinson, writes about two crises of bourgeois economy. The first crisis of economic theory occurred, in her opinion, in the 1930's. "The doctrine that there is a natural tendency to maintain balance during full employment could not endure the experience of the complete collapse of the consumer-goods market during the 1930's."<sup>1</sup> Out of this crisis came the Keynesian revolution, but Keynesianism, after achieving a dominating

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<sup>1</sup> J. Robinson, "The Second Crisis of Economic Theory," THE AMERICAN ECONOMIC REVIEW, No 2, May 1972, p 3.

position in the bourgeois economy, became orthodox. The second crisis, which began in the 1960's and is still going on, is the "obvious bankruptcy of economic theory, which for the second time cannot reply to the questions which most require answers, in the opinion of everyone except economists."<sup>2</sup>

Heated discussions have been taking place for a long time in non-marxist economy on the object of economy. This is a fundamental question for the further development of this science. Marxist economy accepts economic relations as its object. But it warns that in examining economic relations as the object of political economy, it should be remembered that economic relations do not exist independently, that productive forces are the material base of economic relations, and that economic relations and productive forces are two sides of a production method. It should also be remembered that superstructure exerts an active influence on economic relations. Bourgeois economy categorically rejects social implications, accepting as the object of economy, regardless of systems conditions, the relationships of people to things (Samuelson), relations between things (Boulding), or problems of distribution of limited resources among different alternative goals (Robins).

When the object of economy is defined incorrectly, we are not able to solve the basic socioeconomic problems, even when the best research methods are used. In non-marxist economy, the latter are also not the best. For several score years, a striving for formal elegance in theory has dominated in the non-marxist economy. Mathematical models and very formalized theories are very convenient because they contain no social implications. But they are far from "inelegant" and disordered economic practice. Bourgeois economists examine idealized concepts and are not very interested in reality. And, after all, even Smith and Ricardo realized that an examination of economic facts (events) must form the basis for political economy if it is to fulfill its task of cognition, explanation, and influence on reality.

For Marx, the criterion of truth was the most important. Theory must be adequate, and whether or not it can be described mathematically is not important. We know how accurate K. Marx's ideas were, although "Das Kapital" does not pass as a model of formal elegance. The separation of economic ideas from reality makes them of little use in economic practice. It is easy to understand why calls persist in the west to treat economy as an empirical science. It is also understandable why Dopfer, who represents a large group of economists, is demanding that a holistic concept and a long-range approach to economy be applied, and that it be treated as a political science.<sup>3</sup> But bourgeois economists are not able to fulfill these demands because application of a long-range and holistic approach would force them to accept the marxist theory of socioeconomic development, and that is, of course, the object of vehement attacks on their part.

It should be noted that not just the specific economic concepts failed to fulfill expectations, as A. Michalewski asserts. The entire bourgeois economy is in a deep crisis and bourgeois economists, applying past research methods, are not able to end this crisis. Its most serious symptoms are the failure of

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<sup>2</sup>Op. cit., p 10.

<sup>3</sup>K. Dopfer, "Economy in the Future", State Scientific Publishing House, Warsaw, 1982, pp 18-66.

economic policy based on theoretical concepts of bourgeois thought (unemployment, the periodicity of development, social inequality, and non-utilization of production capacity) and ineptness in explaining the basic problems of the contemporary world. It should be borne in mind at this time that the basis for the verification of the correctness of every theory is practice.

A. Michalewski writes that bourgeois economy "on a rather broad scale defends itself" because it has "developed many interesting research instruments which we, too, use." Then he asks whether the fact that contemporary bourgeois theories are not able to deal with the challenge that today's world presents is certain proof that economic theory is in crisis.

Few will deny the achievements of bourgeois economy, but it should be realized that no area of social life or science which does not bring specified results or does not fulfill specified functions, cannot function under conditions of capitalist competition. The bourgeoisie set a task for the economy (creating instruments to weaken the severest contradictions in capitalism and establishing conditions for capital to prevail), which this science must try to accomplish. Otherwise it will no longer represent a value to the bourgeoisie. Every economic theory fulfills specific class-ideology functions.

Bourgeois economy is undergoing a crisis not because it is not able to deal with the challenge presented to it by the contemporary world, but primarily because it does not have the fundamental characteristics which would make it possible for it to deal with these challenges.

Does the crisis of economic theory also pertain to marxist economy? For a long time a discussion has been taking place among marxists on how to deal with the shortcomings of the political economy of socialism. Poorly defined, inadequate economic terms, the uselessness of many indicators (e.g., national income) and economic theories or bad economic and social decisions, made in the name of marxism, saddle marxist economy. The crisis of marxism is a crisis of economists, not methods. There is a crisis of marxist economy because economists, theoreticians and practitioners do not know how to apply dialectic-historical methods in their analyses and attempts to solve economic problems.

The dialectic method is not understood and thus it cannot be effectively employed in building economic theory or making economic decisions. Failure to understand the dialectic method led to the development of all kinds of economic concepts in the name of marxist economy, and having little in common with it. The inaccuracies of many theories and decisions in Polish reality was the result of the absence of marxism, and not its crisis. Marxist economy has many times proven its accuracy and adequacy.

In attempting to solve economic problems in a marxist economy it is well to remember the words of F. Engels, that "Marx's entire way of reasoning is not a doctrine but a method." We must be guided by this directive even now, when we are applying solutions for economic reform.

We cannot agree with A. Michalewski that there is no crisis of bourgeois economic theory, but that there is a crisis of civilization. There is not enough space in this article to examine to what degree the civilization crisis provoked the



economic crisis, or to what degree the economic crisis provoked the civilization crisis. It is a fact that there is a reciprocal relationship between these two phenomena.

However, the statement that there is no crisis of marxist economy is true, but that there is a lack of understanding of marxism, and particularly the dialectic method, among economists, who want to develop their theories on the marxist economy plane. One conclusion comes to mind at this time--a return to the source, to Karl Marx's "Das Kapital", is imperative.

#### Nonsense, Muddled Thinking

Warsaw ZYCIE GOSPODARCZE in Polish No 6, 5 Feb 84 p 12]

[Article by Janusz Zwierzewicz: "...A Classic Example of Mental Confusion"]

[Text] Even today, and in a society of real socialism, we find authors who seem to be able to confuse society with the state. Because, as Andrzej Michalowski, in his article, "Is There a Crisis of Economic Theory?" (ZYCIE GOSPODARCZE, No 39, 1983), states "...one of the biggest mistakes of our economic policy, and partially of our theory, was the nationalization of the economy instead of the socialization of it."

I wonder how the author sees the difference between socialization and nationalization in socialism? But there is no mistake in theory. The author of the cited article should know that in socialist revolution theory there is the concept of the so-called transition period from capitalism to socialism. The form of the state at this stage is (and experience has proven this) a state of the dictatorship of the proletariat. The working class at that time takes over the state for the purpose of eliminating all forms of exploitation. Thus the state becomes a workers' state and nationalization of the economy means, at this stage, that it has been taken over by the entire working class. During the transition stage there can be no talk about "socializing" the economy in the sense in which the author sees this (if he has any idea at all of a socialization other than nationalization).

How does nationalization in capitalism differ from nationalization in socialism? The author undoubtedly does not know, since he seems to place an equal sign between them. Nationalization in capitalism means transfer of means of production to ownership by the entire middle class (because the state itself is its private property). In socialism, nationalization is equivalent to the passing of means of production to the undivided authority of the working class. The historical development of nationalization in socialism is based on the fact that the state itself will, with time, die, will be tossed into the scrap heap, and will then become not classlike, but national, and then means of production will pass to the general authority of society, i.e., will be socialized. Nationalization in socialism is a stage, a step in the direction to socialization. Therefore, there can be no talk about any kind of mistake in "our economic policy."

In another place, as if he were revealing some kind of secret to the readers, the author writes: "...in the west the theory and practice of worker participation is rapidly developing. Some elements of this theory and practice,

together with elements of the theory and practice of work humanization, could, I would think, be accepted by us without any detriment to socialism--on the contrary, with benefit to it."

Yes, yes! Of course! Capital noticed a long time ago that if you have, for example, one billion dollars you can invest it in the shares of 5 to 10 enterprises (ownership of over 20 percent of the shares guarantees, as a rule, a deciding vote in the management of the enterprise), which are already "offspring" of the founder-enterprise. In turn, the "offspring" may have their "offspring". Thus one billion dollars can control 10 or 20 billion dollars. Well, and why not use this tactic in relation to the workers? Let them participate! Let them "buy" their workplace! What does this lead to?

The power of capital doubles, at the very least, and the enslavement of the working class also doubles. In addition, the breakup the working class also grows. And that is what capital, and all of its democracy, is based on. What happens with these "improvements" that Michalewski wants us to share in? He does not understand that the direction of the development of socialism is socialization. He wants to drive a stake into our national economy, and use that stake to divide the workers. He wants to make industry similar to our agriculture, which can be described as a "state feudalism". He probably thinks that Polish private farming has a future.

And perhaps we should accept "work humanization"? Can there be any talk about any kind of humanization of work in societies in which work is not guaranteed? I wonder what the worker who is kicked out into the street without a job thinks of work humanization.

In the article being criticized we find this kind of statement: "It would also be well to call attention to the theory of state interventionism in a socialist system. There is no such theory, and there should be, especially in our system." This is a classical example of mental confusion. And so: the state is classlike, the ruling class is a workers' class, thus the state is a workers' state. On the other hand, the economy is nationalized, thus it is also a workers' economy. We obtain: state interventionism, "particularly in our system", this is the intervention of the working class in relation to the working class. Try to understand this!

But it is high time that we knew that a socialist state does not have to intervene in the national economy--it simply governs this economy. The problem of how it governs, whether administratively or through economic parameters, is entirely another matter. It is not surprising that there is no theory of state interventionism in the narrow meaning of this term, because in the broader meaning, in the theory of the economics of socialism, there is such a theory, and it is called... the theory of planning a national economy (who would have thought of it?).

What other accusations against the marxist economic theory does the author being quoted make? He says that there is no inflation theory (nonsense, there is such a theory), that there is no theory on economic cycles in a socialist system, and that, on the whole, "there is no way that all of the blank spaces

on the economic map can be counted up." Well, what of it? The economic theory of the socialist system is still quite new, but it is developing quite rapidly. It is developing so rapidly that Michalewski is not able to keep up with it. Most of his "accusations" are, as a matter of fact, false. I have attempted to refute a couple of them, and as to the others I will only say: if Michalewski does not know some kind of theory we should not say that it does not exist.

Let me return for a moment to the "theory of the economic cycle in a socialist system". Doubtless the author is referring to the theory of a crisis of socialism. Truly, there is no such theory. And why not? Could it be that the theory of economics in socialism is developing in the wrong direction?

No! This is not a mistake at all. Very simply, in the theory of the economics of socialism something entirely to the contrary is being said--there should be no crisis of socialism. And if this is the case, then what are the Polish economic realities of the 1980's telling us? There is but one conclusion--simply that in Poland we have not yet built socialism. We are on the path to socialism, in the transition period. Eighty percent of the arable land is still in private hands. There is a class of small owners employing hired hands (and in Poland, overall, there are five social classes). Until the means of production are entirely nationalized (i.e., until everyone is in the same boat), until we free ourselves of clericalism, until we all begin to think well of socialism, we will always be looking around at the private dealers, the dollars, and their economic theories.

How can the author say that "there is no crisis of bourgeois economic theory"? This is pure nonsense, a brazen lie. Since the days of Ricardo and Smith the middle class has tried to establish dozens of theories and economic doctrines. All of them have been refuted by experience, and tossed into the scrap heap. Reagonomics, too, will soon hit the scrap heap and every subsequent bourgeois theory will meet the same fate. Specifically because they are middle-class and the middle class is a class destined for failure.

The marxist economic theory is scarcely 100 years old. Hundreds of attempts have been made to refute Marx. Alleged contradictions were even found in his works. Attempts were made, but they were not refuted. The collapse of the first socialist state was predicted scores of times. Armed interventions, economic blockades, and world wars, were organized. And nothing came of this. The Soviet Union, in a period of less than 70 years, grew from one of the most backward capitalist countries to one of the largest world powers, and precisely because it guided itself by marxist theory.

It is not possible to refute Marx's theory if one does not know dialectic materialism. What is more, there is no way that Marx's "Das Kapital" can be understood without a knowledge of dialectic materialism. And it is truly difficult. Dialectic materialism did not originate as a kind of philosophic construction based on the absolutization of this or some other term. It is not an "exercise for the mind". It arose as the result of the persistent development of the social awareness of natural sciences and experience. Without German classical philosophy, without French utopian socialism, and English political economy, and finally, without the achievement by the capitalist

society of a development stage, it would not have been possible to establish a marxist economic theory and the theory of a materialistic comprehension of history. It cannot be refuted by such tricks as: where does the tail begin in a snake, or: when can a beard be called a beard (Czeslaw Milosz: "The Captive Mind").

No one has a right to talk about a crisis of marxist theory who does not know this theory. In Poland the marxist-leninist classics are available to anyone who wants to study them. I can even give the address of a bookshop where Lenin's works can be bought for 10 zlotys a volume. Anyone can sacrifice these few zlotys and study a little. And here is where we come to the real crisis of economic theory in Poland. The crisis lies in the fact that most Poles do not know this theory and are ashamed (!) to become acquainted with it. (When I bought the Lenin volumes at 10 zlotys people looked at me as if I had stolen something, or was an idiot.) It is about time that every Pole, at least the high school graduates, knew the fundamental premises of materialistic philosophy. Without this, there can be no discussion on the subject of socialism, economics, philosophy, the party's leadership role, etc.

The crisis of economic theory also occurs as a result of the so-called "recurring ignorance" on the part of many of the "experts" on marxist economic theory. Recurring ignorance consists of remembering only the slogans, the meaning of which has been forgotten. It seems to them that the more they use the words: socialism, public ownership, the party's leadership role, etc., the better marxists they are. Thus, they come dogmatists of the worst kind.

In summing up my entire opinion in the discussions on the subject of crisis of economic theory, I want to emphasize that the "accusations" made by Michalewski against marxist economic theory are really not serious and reveal a lack of knowledge of this theory. Mr Michalewski, in calling his article a discussion, is taking advantage of the lack of familiarity with marxist economic theory by most of the Polish people and giving the readers false arguments against this theory. Not knowing the theory himself, he discourages others from learning about it. This is extremely damaging. The real crisis is the lack of knowledge of this theory among the majority of Poles, and also the recurring ignorance among many of those who once were simply poor students and who now hold good positions.

The bourgeois economic theory, every so often, provokes a crisis, and these crises are synchronized with economic crises occurring in the capitalist countries. This will continue until capitalism is eliminated entirely.

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CSO: 2600/634

ECONOMIC GAINS MADE IN 1983 VIEWED FROM DIFFERENT PERSPECTIVE

Warsaw POLITYKA in Polish No 5, 28 Jan 84 p 5

[Article by Jerzy Pawilno-Pacewicz: "The Economy in 1983--Better but..."]

[Text] In some evaluations of last year's economic results, the tone of satisfaction and optimism prevails. True, for the first time in 4 years the national income increased, the value of industrial production exceeded the planned targets, and the index of real pay increased in comparison to 1982. While duly noting these facts, we must not forget, however, that Poland's economic situation remains very difficult; not all of last year's results are positive, and they do not promise an automatic improvement in the coming years.

The increase of industrial production by 6.7 percent, i.e., by a higher percentage than anticipated last year, was due mostly to significantly higher production of the basic and investment branches. For instance, steel industry production rose by almost 12 percent and electric machinery and chemical industry production rose by over 10 percent.

The rate of increase of consumer product industries, primarily the light and food processing industries, was considerably slower. According to rough estimates, the consumer goods production increase amounted to only about 4 percent. The planned (perhaps not realistically) flexibility of consumer goods production in relation to industrial production was not achieved. Instead of being 50 percent higher, the rate of consumer goods production growth was in fact just one-half of the total industrial growth rate. On the other hand, the investment exceeded the planned levels significantly; investments outlays grew by over 6 percent, and it was planned to increase them by only 1.6 percent.

The increase of industrial production was achieved partly through longer hours. Overtime grew by over 20 percent and in some branches, including the fuel industry, ferrous metallurgical plants, electrical and electronic industries and chemical industry, the increase of overtime reached 40-50 percent. A record of sorts was achieved in the light industry, where overtime increased by over 80 percent. Perhaps it is good that we worked longer hours last year but we should consider that additional work is paid at higher rates, which leads to increased monetary pressure at the marketplace, as the earnings

for that work are not balanced out by a corresponding increase of consumer goods supply.

The situation in residential construction must be viewed with unease, to say the least. True, the planned targets were exceeded, as over 5 percent more dwellings were completed than in 1982, but the planned targets were set rather low, lower than the plan for 1982 and than the actual results in 1982. Additionally, the increase of dwellings last year was achieved partly at the expense of this year, that is, at the cost of a pronounced decrease of raw materials reserves. At the end of 1983, the number of dwellings under construction was almost one-third lower than a year before. To complete the description of the situation, buildings for public use were ready for occupancy with significant delays. In such crucial sectors as construction of hospitals, health centers, child care centers, kindergartens and schools, we have succeeded in completing only 50 to 80 percent of the plan.

In the area of animal breeding and production, the sad part is not just the fact of a decrease of the number of animals and quantity of products supplied to the market, but the extent of these shortfalls. It was known for a long time that the shortage of hard currencies to import grain and fodder in the previous quantities must force both animal breeding and the consumption of meat down to the level of available domestic fodder. But this unavoidable process of adjusting the agriculture to the changed conditions was not as smooth as it could have been. The number of hogs in the non-socialized economy decreased by about 30 percent, the market supply of livestock last December decreased by one quarter. What happened was the situation against which Professor Manteuffel warned us 2 years ago ("How Much Meat Can We Afford?" ZYCIE WARSZAWY 8 June 1982): by allowing an excessive reduction of the basic stock of sows we seriously jeopardized the market supply of livestock and production of meat in 1984. Was it possible to avoid such drastic vacillations in the breeding cycle? It is well worth our while to recall previous discussions on this subject because many of the recent newspaper comments treat the current decrease of the number of animals as if it were an act of God beyond human control, and one could draw the conclusion that this country does not have any agricultural policy, leaving the matter of food production in the hands of superior forces and foreigners.

Foreign trade last year was characterized by a smaller volume than planned, a gradual decline of trade from month to month, a painful worsening of the relation between prices of exported and imported merchandise, a decrease of profitability of export to the capitalist countries and a decrease of its quality.

The size of export to the capitalist countries was affected by considerably lower coal prices as well as by the non-fulfillment of export plans of many commodities, especially the products of the electric machine industry, chemicals, mineral products and pulp for paper as well as items for construction. Under these circumstances, the total value of exports was saved by buying and reselling (so-called "re-export") of a certain quantity of reprocessed and improved crude oil (e.g., lubricants and oils). Thanks to that, the value of export almost reached the planned amount but the import from capitalist countries did not reach the planned level.

These results were less than satisfactory. Although we succeeded in achieving a level of industrial production higher than that planned, despite imports being lower than the planned target, the increased production did not result in a corresponding increase of export.

The aspect of last year's market situation which is most worrisome is not, despite the appearances, either the large growth of retail prices or the accompanying increase of the cost of living. Inflation, which has deep roots in the structure of our economy, is likely to persist for a good many years. I do not think that even the most sensible economic policy could end it from day to day.

The economists are much more worried by something else. Last year's inflationary spiral turned out to be almost totally useless, its impact on the domestic market equilibrium was minimal. The almost 24 percent rise of retail prices which could, at least in theory, close to a great extent the gap in consumer goods availability, was neutralized by an uncontrolled increase of monetary personal incomes. Despite the fact that some preliminary estimates indicate that the rate of growth of inflationary overhang (as it is called) has slowed down, the road to market equilibrium in our economy does not seem much shorter than last year. For this reason, it is difficult to share the feeling of satisfaction in the fact signaled by some statistics that the average real pay went up last year. If the process of achieving market equilibrium continues to move so slowly, the moment of obtaining a normal monetary situation in the marketplace will be delayed past 1986. For many reasons, both economic and social, that date may turn out to be too far in the future.

While discussing problems related to the market equilibrium and price changes, another remark needs to be made. In view of the prospect of several years plagued by inflation and in view of the experience of the last 3 years, it is high time to apply measures which would spread more fairly the hardships of inflation. It is unacceptable that while wages in industry and construction are racing upward, the income of teachers, doctors, scientists and other socially useful professionals are slipping down on the earning tables. The situation in which retirees who once were receiving decent and well-earned pensions are now at the brink of poverty, without a chance to enjoy any material improvements, must not continue. Also, it is unacceptable to tolerate that the cost of inflation is borne not by spendthrifts but by those who save, those to whom the Savings Bank offers a rate of interest much lower than the rate of increase of retail prices. It is time to force our dealings with inflation into a format more modern and more in tune with the principles of justice.

The purpose of the opinions expressed above is not to put into doubt or to belittle the economic achievements of last year. The intent is to make sure that a few selected favorable economic indicators which represent only a very limited sector of the economy do not camouflage the true dimensions of the economic tasks which need to be accomplished this year and in the next few years. The road to the restoration of our economy is long, and it is a bit too early to celebrate successes.

AGRICULTURAL SITUATION, PLANS DISCUSSED

Program for 1984

Warsaw DZIENNIK LUDOWY in Polish 2 Jan 84 p 1

[Article by Wlodzimierz Bieron: "The Logical Continuation: 1984 Agriculture in the Government's Working Program"]

[Text] (From our own sources) At a recent meeting of voivodship governors held at the Office of the Council of Ministers, directions for government work in 1984 were presented among other things. A main problem was the socioeconomic issue, an essential element of which is the whole group of matters and issues concerning agriculture and the food economy.

Prof Zygmunt Rybicki, undersecretary of state at the Office of the Council of Ministers, stated in a press interview that the government's 1984 operating plan is a logical consequence of the aspirations and targets defined in the ten-point working program of the government which the premier presented to the Sejm on 12 February 1981, in the points of the PZPR's Ninth Extraordinary Congress, in the resolutions directed to the party's groups and political groups, and in the Sejm's bills and resolutions defining the regulations and creating the legal foundations for operations in this realm of public life and the life of the society.

Information was presented concerning the very disturbing signs of a substantial decline in the signing of contracts for slaughter livestock, a decrease which in extreme instances in certain voivodships was reflected in contracting levels barely more than 10 percent above last year. First of all, efforts to combat these trends are aimed at insuring the guaranteed supply of meat and meat products to meet the needs of the market.

The past few years have not been favorable for reclamation. Decapitalization has been more rapid than the rate of new investment and reproduction of assets. Thus the government pressure on carrying out reclamation tasks to the full.

It is anticipated that as of 1 July 1984 the first stage of implementing the new farm tax system will begin. Its basic goal is to incline farmers to make more efficient use of land.



The government views the need for full utilization of the food products produced to be an urgent need among available reserves to be tapped.

Good management must not be underestimated, however, because good will often is not sufficient.

#### Winter, Spring Prospects

Warsaw TRYBUNA LUDU in Polish 11 Jan 84 pp 1, 2

[Article: "First Steps by Farmers in the New Year: Behind the Plow in the Fields, Much Depends on the Weather, Figures to Be Good But Also Bad"]

[Text] (From our own sources) It would be an exaggeration to say that farmers have already announced spring, but we can say that autumn work is continuing. In such weather the tractors and plows can work, and this is what is happening wherever work remains to be done.

Up until now the weather has been favorable to agriculture. The rains of December and January are supplementing the soil's water reserves, but there still is not enough. We could use more, but the earth and the plants are grateful for the rain and for the melted snow.

There is still the question of what lies ahead. It would be ideal to have gradual cooling followed by a not-too-deep blanket of snow, up to the end of February, and then a real spring. Nobody knows if this will happen.

The farmers would not be happy if the weather continues without a frost and without snow. There are already signs that vegetation is beginning. In the west and southwest, in particular, where it is the warmest, nature is getting ahead of the calendar. This is not good, because we cannot believe that this is indeed spring and that the frost will not come.

Such weather is also dangerous for other reasons. It is warm for the pests and beginnings of crop diseases just as it is for the crops, trees, and bushes, and this can mean that they will remain in good health and begin an attack. The Colorado beetle poses a particular threat. Last year's great outpouring of pests now stored in the ground will endure and multiply, and then destroy.

Thus, although the farmers are not complaining much about the weather, they would prefer to see a real winter come to their orchards and fields. Then the winter crops which up until now have been doing well would not suffer a winter set-back or suffer from pests.

The beginning of the year brings news from the villages, from agriculture, and from others. There is enough fertilizer, and there will be more and more customers after the coupons given with purchases are introduced in January and February, but there are also those who are dragging their feet over their purchases, and that is too bad. Now it is possible to buy at lower cost, and there are no crowds, and when the fertilizer is already on hand one can start sowing at the proper time.

Some already should be thinking about sowing for this year's harvest. Others are still dealing with the 1983 harvests. About a half million tons of sugar beets still remain to be processed at the sugar refineries from the record-breaking campaign. We are literally only a few kilograms away from the 2-million-ton mark on sugar.

Because of this we will have 3 more kilograms of sugar this year on the [rationing] cards. Can we count on anything else? Record-breaking figures are also being discussed by dairy producers and the industry. Last year procurement reached 10.7 billion liters. This has not happened yet, but procurement still does not exceed needs, and production remains at a level unchanged for years. Procurement is the result of factors from which we can in no way draw optimistic conclusions. More milk was bought not from the most productive cows or from the largest herds but from farmers who were left with less milk on their farms. If they make personal sacrifices and go short (last year the price on milk procurement was 2.5 zlotys per liter more than in the autumn of 1982), this is not good. If it proves more profitable to send the milk taken from the cows to the procurement centers and buy bottled milk to use at home, that is not good either. And it is really bad because the lower level of so-called "self supply" means that the rural people do not have partners for the milk, that is, piglets, as there always are, but not now, because pig production is low.

Since this is the case, we can already see what sort of year it is going to be for livestock producers and for the meat market. Contracting data are very pessimistic. In January the figures amounted to about 60 percent of last year's, in February--40 percent, and in March a little over 50 percent of last year's level.

In order not to end on a low note, we have to mention grain. Five million tons have already been bought. There are people who anticipate that together with the spring procurement the balance-sheet from the 1983 harvests will show a bottom line of 5.5 million tons.

#### Winter Crops in Wielkopolska

Warsaw DZIENNIK LUDOWY in Polish 18 Jan 84 p 6

[Article: "Good Winter Crop Levels in Wielkopolska"]

[Text] (From our own sources) Throughout Wielkopolska a good winter-crop level is being observed, in the fact that hay was produced under good conditions, and the mild winter is good for storage. Wheat is doing marvelously, and rye on the other hand is even looking too strongly developed. The experts say that there could be the danger of snow mildew, if heavy snows were to fall. Therefore it is too early to make any predictions about next year's harvests.

The rape is also having a good winter, despite the fact that the development is uneven. Nonetheless, most plantings are in good condition. The only fear is the danger of local frosts. The frostless weather in some places has meant that in the midst of winter the crops are beginning to put on green, which marks the onset of vegetation.

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INSTITUTE SURVEYS PROGRESS OF REFORM ON STATE FARMS

Warsaw ZYCIE GOSPODARCZE in Polish No 6, 5 Feb 84 pp 1, 4

[Article by Zofia Kaprzyk and Leszek Wisniewski: "The Reform on State Farms: Two Years After"]

[Text] In October 1983 the Institute for Agricultural Economics and Food Industry surveyed for the second time the effects of the reform on state agricultural farms [PGR]. We researched the same 67 farms as before: they farm some 417,000 hectares of arable land, and provide a representative sample for all the PGR's. As before, we interviewed the farm directors, often with the entire managerial staff present.

The opportunities the farms have for independent choice of the most profitable production profile were not always similar. As last year, the decisive factors included considerable stability of structural assets, employment, natural conditions for managing agricultural enterprises, insufficient data on rationed means of production available, and high changeability of production profitability.

Improved Structure of Production

Despite these restraints, the enterprises, generally speaking, have made use of the opportunity to modify their structure of production.

The share of grains, legumes for seed, and industrial plants, rape in particular, was considerably increased.

The share of fodder crops in field cultivation (corn in particular) went down.

Cattle breeding, fatlings in particular, was reduced, hog breeding was maintained at the same level (with a slightly upward trend), sheep breeding was up.

All this indicates that the size and the structure of production have been adapted to modified profitability, to various soil and climate conditions, and--as far as animal husbandry is concerned--to the available feeds. The enterprise directors professed their opinions on profitability, similar to the changes introduced in production. They considered rape, grain, and sugar beet

as the most profitable crops, while milk, hog and sheep breeding were regarded as the most profitable branches of animal husbandry. The high profitability of potatoes for processing in farm-owned alcohol distilleries was also frequently mentioned. Cattle breeding, in particular the production of beef for home market, was listed among the least profitable activities. It should be added, however, that in relatively many enterprises milk production and hog breeding were also considered insufficiently profitable.

The differences of opinion on profitability, especially where milk and hogs were concerned, indicated considerable differences in productive conditions. The unprofitability of those branches was primarily emphasized wherever the production was concentrated in large industrialized farms without sufficient fodder sources of their own.

In almost every second enterprise improper price relations were regarded as the prime cause for low productivity. In animal husbandry the profitability has deteriorated due to often non-functional and expensive farm buildings, high production costs of fodder, and shortage of labor willing to work at attending livestock.

Significantly, opinions on production profitability have been shaped by price changes introduced in July 1983. In nearly 60 percent of the farms those changes were assessed negatively. Considered faulty were price relations between crops and livestock (the price ratio of crops to animal products, cattle in particular, is taken as the benchmark). Critically assessed were also price relations between products marketed by agriculture, and the production components and services bought outside the farm. Many negative opinions concerned the price level of various products.

About 40 percent of the surveyed enterprises expressed positive opinions concerning prices now in force. Many directors pointed out the general correctness of price relations, convinced that in the present situation it is right to give preference to the production of grain and of industrial crops.

Thus, there are considerable differences concerning the present functioning of the price system. The prevalence of negative opinions derives chiefly from the difficult situation of enterprises involved in animal production without a sufficient fodder base. In such cases the need to buy fodder outside the farm pushes down the profitability of animal production. In many cases enterprise directors maintain the current level of their stock despite--they say--the low profitability of animal production, hoping for a change in price relations.

Differences of opinion, and sometimes even contradictory views on the profitability of various products, indicate differentiated conditions of production. This should lead to changes in the structure and scale of production: less profitable branches should be scaled down while production of more profitable items should be stepped up. Frequently, however, the profitability calculus is at present worked out in a very primitive manner and does not provide sufficient promises for such decisionmaking. Asked whether the information system now in force allows for correct assessment of the economic effects of decisions made, half the directors criticized the possibilities which this system offers.

It has come out that the present mandatory accountancy, both material and financial, conforms to the needs of the Main Statistical Office but is hardly useful for the enterprise management. Even the handful of useful data cannot be currently used: they are received too late after the economic events. Some directors believe that a well-functioning internal accountancy in the enterprises should favor simplified calculation of production costs; they suggest that the scope of internal stock-taking should be enlarged, while "statistical" accountancy should be simultaneously restricted. In some enterprises the gaps in the official accountancy are filled in thanks to informal stock-taking.

Generally speaking, decisions made over the last 2 years by the enterprises indicate that the 1982-83 modifications in the structure of production mostly conformed to the needs of rational management, and testified to the effectiveness of the economic policy instruments used to stimulate production on state farms. In the surveyed enterprises the financial results calculated per 1 hectare of arable land amounted to 6470 zlotys in 1981-82, and to 6580 zlotys in 1982-83 (provisional estimate), while the ratio of profitability (calculated as the relation between the value of cash income and the total income) amounted to 109 and 106 percent, respectively.

#### Utilization of Production Factors

The fall in work force, which occurred in 1981-82 mainly due to earlier retirement, slowed down in 1982-83. However, half the surveyed enterprises were still affected by labor shortage. This concerns animal husbandry, in particular cattle-keeping. Over 20 percent of the enterprises were also affected by labor shortage in crops production. Insufficient work force in animal husbandry is sometimes accompanied by surplus of clerical staff (15 percent of the enterprises). Difficulties involved in moving employees to other branches have also been indicated.

In 1982-83 almost 55 percent of the enterprises registered a rise in individual labor productivity: 25 percent in animal production, some 20 percent in crops. The prime causes of this increase were the introduction of piecework, improved organization and the resulting better labor discipline, and wage hikes resulting mainly from the implementation of Resolution No 135 of the Council of Ministers, which modified the wage system. The inquiry made in the first half of 1982 indicated no tangible improvement in labor productivity, since no means had been allocated to motivate any such increase. Thus, the results of the ongoing inquiry point out positive changes. However, the unchanged labor productivity in over 40 percent of the enterprises seems rather alarming.

Half the enterprises regard the present economic and financial system as devoid of stimuli promoting improved labor productivity. The collective labor contract is considered a bad one, and in many cases incompatible with the regulations in force. The lack of visible linkage between the quantity and quality of work and the wage level, a faulty system of managerial salaries and of bonus allocation, were also frequently raised issues.

The current rule of annual bonuses, too, was regarded as faulty. Quarterly bonuses for employees in animal production and for managerial staff, and monthly bonuses for those employed in crops production and in productive services, were most often postulated. It has been suggested that production results and the implementation of precisely fixed specific tasks, as well as--generally speaking--the quality of work (punctuality, equipment maintenance, quality of products) should be accepted as the touchstone for bonus allocation. For the enterprise management, bonuses for results achieved by the enterprise as a whole have been suggested.

In the first year following the introduction of the economic reform principles, the state agricultural farms registered a considerable reduction of their grounds area. In all the PGR's subordinate to the Ministry of Agriculture and Food Industry, this reduction amounted to 90,000 hectares of arable land (2.6 percent of grounds area on 1 July 1981). Almost one-quarter of all the surveyed enterprises envisage a slight area reduction for 1983-84, mainly due to their low agricultural usefulness and to the allocation of grounds for extra-agricultural use (housing construction, afforestation, etc.). There was not a single case of intended extension of the enterprise area, mostly due to the lack of opportunity to buy or take over grounds, even though almost 10 percent of the directors considered such an extension desirable and conducive to improved results.

In 90 percent of the enterprises special measures were undertaken last year to increase soil fertility, mainly by accelerated organic fertilization. Half the enterprises increased their area of limed fields, the agrotechnology was improved, and the share of structured crops was raised; land reclamation and recultivation of grounds were also undertaken.

Intensified utilization of production assets on state agricultural farms is one of the most arduous tasks. In the second year of the reform many measures intended to improve the situation in this domain were introduced. Unused or only partly used farm buildings were adapted to serve as warehouses, workshops, sheds to raise various kinds of livestock (sheep, poultry). In many cases reduced animal stock made the abandonment of old or unfunctional farm buildings and temporary stands possible. Not all the projects have been carried out. In many cases it was assumed that the abandonment of buildings would be temporary, and that the situation could be quickly remedied.

Many surplus machines were scrapped last year; some were sold, others--mainly worked-out traction engines, gas-driven vehicles, and some special machinery--were eliminated.

As the previous survey had already indicated, the lack of sufficiently strong motivation for careful dealing with durable assets gives cause for alarm. Almost half the directors raised the point, emphasizing the lack of strong financial stimuli apt to make thrifty management worthwhile, as well as the shortage of spare parts and excessive costs of overhauling.

The overwhelming majority of enterprises are painfully affected by shortages of durable assets. The greatest deficit concerns housing construction. The shortage of proper housing is a major factor which prevents any easing of labor shortages. Part of the enterprise-owned housing is occupied by retired people and pensioners (over 20 percent on the average), part by outside tenants, not employed in the enterprise (some 6 percent on the average). The tight housing situation is also due to the regulations derived from the economic and financial system, which in this case puts the duty to invest on the provincial offices. This has stopped the input of financial means for housing construction. The painful shortage of warehouses, storage space, feed drying and mixing plants, auxiliary buildings, etc., was also often brought up. Almost all the enterprises are affected by intense shortages of machinery, especially for green-forage harvesting, and of heavy-duty traction engines. Also, the number of grain and fertilizer seeders, and of root crop harvesting equipment, is often insufficient. In this context the completion of technological aggregates for crop production is also considered necessary.

### Organizational Stability

After a period of organizational changes in the PGR's during the second half of 1981--when a large number of mostly oversize units were dissolved--a certain stability has emerged by 1982. This does not mean that the reorganization process on state farms has been completed. In 1983-84 some 20 percent of the surveyed enterprises envisaged some partial modification of their organizational structure.

In the surveyed sample the basic production units, i.e., the enterprises, greatly differed in the degree of their independence. Nearly half the enterprises admitted--in general terms--to a higher degree of independence, without, however, implying any lack of coordination in planning and organizing production processes by enterprise managements.

The deterioration in outside supply of production components--chiefly of fodder--brought about the need for modified technology in animal production. This concerns, above all, animal feeding. In over one-third of the enterprises the system of hog foddering has been changed: traditional foddering was reintroduced, grazing was limited. Less frequently such changes have been introduced in cattle foddering, mainly due to increased use of pastures, larger share of bulky feed in fodder doses, reduction of monodiet, and fuller utilization of agricultural processing by-products.

In 1982-83 the then reactivated employees' self-management bodies began to affect the progress of planning and managing processes. An overwhelming majority of directors admitted the need for employee participation in enterprise management. The opinion prevails, however, that directors should play the major role in decisionmaking. Only one director expressed his conviction that the power of self-management had been excessively restricted, 60 percent of directors considered it satisfactory, and in almost 40 percent of the enterprises the self-management authority was considered too extensive because their decisionmaking did not imply any legal responsibility.

According to the directors, employee self-management operates properly in one-half of the enterprises only, but their too short period of experience makes full assessment difficult. In the case of negative opinions, insufficient activity and lack of initiative on the part of the work force's representatives were mentioned, along with insufficient interest in the problems of the enterprise and the resulting excessively modest role played by self-management in the enterprise.

Most differentiated answers were given to the question of what the scope of self-management activity in the enterprise should look like. According to the directors, the self-management body should above all act as a co-manager; together with the direction, it has to determine the trends and the structure of production and to bear co-responsibility for such decisions, as well as to rally the work force for better work, to represent its interests with regard to bonus allocation and wages, and to act in an advisory capacity.

The stability of rules which regulate the administrative and legal principles of enterprise management play a major part in the effectiveness of enterprise operations. Most doubts were raised concerning the rules according to which enterprises are judged. A total of 74 percent of the surveyed enterprises believed that profits cannot serve as the sole touchstone for their evaluation. Additional suggestions included conditions under which the enterprise is run, the productivity of its assets, and the size and structure of its production.

As proper criteria for judging the conditions of management, the respondents suggested the quality of agricultural area, as well as resources of productive assets and labor force. Nearly 40 percent of replies favored subsidies for improving the economic situation of those units which work under difficult conditions. One-third of the enterprises postulated extraordinary tax relief, one quarter--easier credits for purchase of production components. Almost 20 percent of those surveyed believed that enterprises working under the worst conditions need assistance to invest more in their production assets and in work force housing. The need to safeguard proper remuneration for the work force was also raised in this context.

The difficulties in acquiring means to finance production and investment activities, particularly acute for weaker enterprises, brings about the need to look for new solutions. One way involves establishing a special mutual-aid fund, from which enterprises in temporary financial difficulties might draw low-interest (or no-interest) credits. Over one-half of the surveyed enterprises favored establishing such a fund. It is generally believed that it should be founded by the central authorities, and that the National Association of State Agricultural Farm Enterprises should have its say concerning the opportunity to obtain such credits. Opponents of such a fund claimed that it would violate the principle of the reform, since granting credit to enterprises is the banks' prerogative. The case of enterprises working under the most difficult conditions should be dealt with in a systemic way, not through emergency financial assistance.

In many cases critical opinions concerning the legal instruments which regulate the process of running the PGR's were also voiced. The criticism concerned not



only some unstable rules, but also the excessive universality of principal legal instruments. The comparison between the first law on introducing the economic reform in the PGR's, i.e., the 17 June 1981 Resolution No 114 of the Council of Ministers, and the packet of laws now in force, emphasizes the need to take into account the specifics of agricultural production. This implies, inter alia, the seasonal character of production, taxation of enterprises (mainly the State Fund for Vocational Activization and the wage taxes), the accountancy inside the enterprise, the differentiation of natural conditions, etc. In this respect, the former law was much better suited to the conditions prevailing on state agricultural farms.

#### PGR's and Others

The supply of production components is the prime factor which determines efficient production processes. In 1982-83 only 15 percent of the enterprises have registered a certain improvement, usually in the supply of mineral fertilizers and plant protection chemicals. There was, however, deterioration in the supply of spare parts, small equipment, fuel, tires, protein feed (in particular proper quality concentrates), and building materials. It has been pointed out that the industrial output still does not conform to the needs of agricultural production, and the "assistance" given to agriculture is often of purely verbal character.

An important factor which determines relations between state agricultural farms and the rest of the economy involves the activity of production units and investment servicing of the enterprises. According to the directors, those echelons either still function badly (over 50 percent of the replies), or their work has deteriorated (15 percent of opinions). Only sporadically was any improvement in the functioning of those units confirmed. The most frequent charges raised against the maintenance units concerned dictation of terms and prices, no warranties, low quality of service, excessive profit-taking, lack of professional ethics. The strongest criticism was directed at dairy cooperatives (dishonest assessment of milk quality), state machinery stations [POM] and rural building enterprises (preference given to more profitable extra-agricultural orders), the central procurement office for meat (ignoring scheduled dates of procurement) and for seeds (restriction of procurement contracts), as well as the State Grain Storage (troubles with grain delivery).

The Food Industry Bank has a major impact on the enterprises' activity, since it determines the management process and contributes to their long-term development by financing their investment projects. The way the bank operates was positively assessed in nearly 50 percent of the replies (in the first half of 1982 a similar assessment had appeared in 65 percent of units then surveyed). One-third of the enterprises assessed the bank operations negatively (last year such an opinion had been expressed by 25 percent of the enterprises). The most frequent charges brought up against the banks concerned their inflexibility of action, insufficient awareness of the specific needs of state agricultural farms, often "bad relationship" with the PGR's. It has been claimed that the banks interpret the rules too rigidly--always to the enterprises' disadvantage--and thus exacerbate their financial difficulties. There were general complaints concerning the high rate of interest on credits,

as well as the lack of interest differentiation according to the circumstances the enterprises are in. Many directors believe that the credit limits are too low. Complaints concerning the banking operations appeared most frequently in those units which had achieved the worst productive and economic results.

The departments of agriculture in provincial offices, which act as the founding organs of PGR's, were variously assessed. In 1982-83 cooperation with the provincial office was considered good by one-third, bad (troublesome) by nearly one-third, while over one-third of the directors regarded relations between the provincial office and their enterprises as loose and limited to surveillance and transmission of administrative regulations only.

Many directors claimed that the independence of the enterprises had been restricted in many ways, not only by legal regulations which interfere too much with the essential issues connected with, for instance, the distribution of profits and the fund accumulation, but also by excessive administrative interference of the founding organs in the way the enterprises were organized, as well as by prescribing production quotas within the framework of the so-called provincial operational plans, regionalization of sale of agricultural products, etc.

The units satisfied with the cooperation between provincial offices and the enterprises included among the advantages the chance to coordinate all forms of cooperation based on partnership relations, speedy transmission of data received from the center, assistance in supplying production components, professional consultation, as well as help for unprofitable enterprises.

In 1981 the dissolution of regional PGR unions removed one intermediate link within the framework of managing state agricultural farms. Some of its duties were taken over by regional associations of State Agricultural Farm Enterprises. The 18-month experience of those associations allows for a preliminary evaluation of their functions. In 55 percent of the cases it was positive or satisfactory; in over 40 percent, however, the respondents judged the functioning of the associations to be unsatisfactory (including 30 percent who thought them superfluous). Critical opinions emphasized the duplication of activities of the provincial office, confining their function to the transmission of data only, attempts to pattern the associations on the old unions, or solely providing jobs for the employees of the old unions.

Positive assessments of the associations chiefly emphasized their training and consulting functions, easier contacts with both other enterprises and outside institutions, as well as their help in acquiring production components. In some cases their activities connected with the introduction of self-financing principles in the managerial decisionmaking, and their assistance in preparing long-term plans, were also mentioned.

Generally speaking, the role played by the National Association of PGR Enterprises was assessed positively; it was regarded as the only organ which protects the interest of state agricultural farms at the central level.